DORSET County Council

STATEMENT OF ACCOUNTS
2010/11

Improving the quality of life for people in Dorset, now and for the future…

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INTRODUCTION

The purpose of this publication is to provide the statutory financial statements for Dorset County Council for the period from 1 April 2010 to 31 March 2011. This document also includes summary information relating to the Dorset County Pension Fund, which the County Council administers on behalf of its own staff, those of other Dorset Local Authority employees and certain other admitted bodies.

The Council provides a wide range of services for the citizens of Dorset, including education, social services, transport, planning, trading standards and libraries. Decisions relating to these services are made by the Elected Members of the Council, each Councillor representing a particular part of the County. Services in Bournemouth and Poole are administered by separate Unitary Authorities serving those areas.

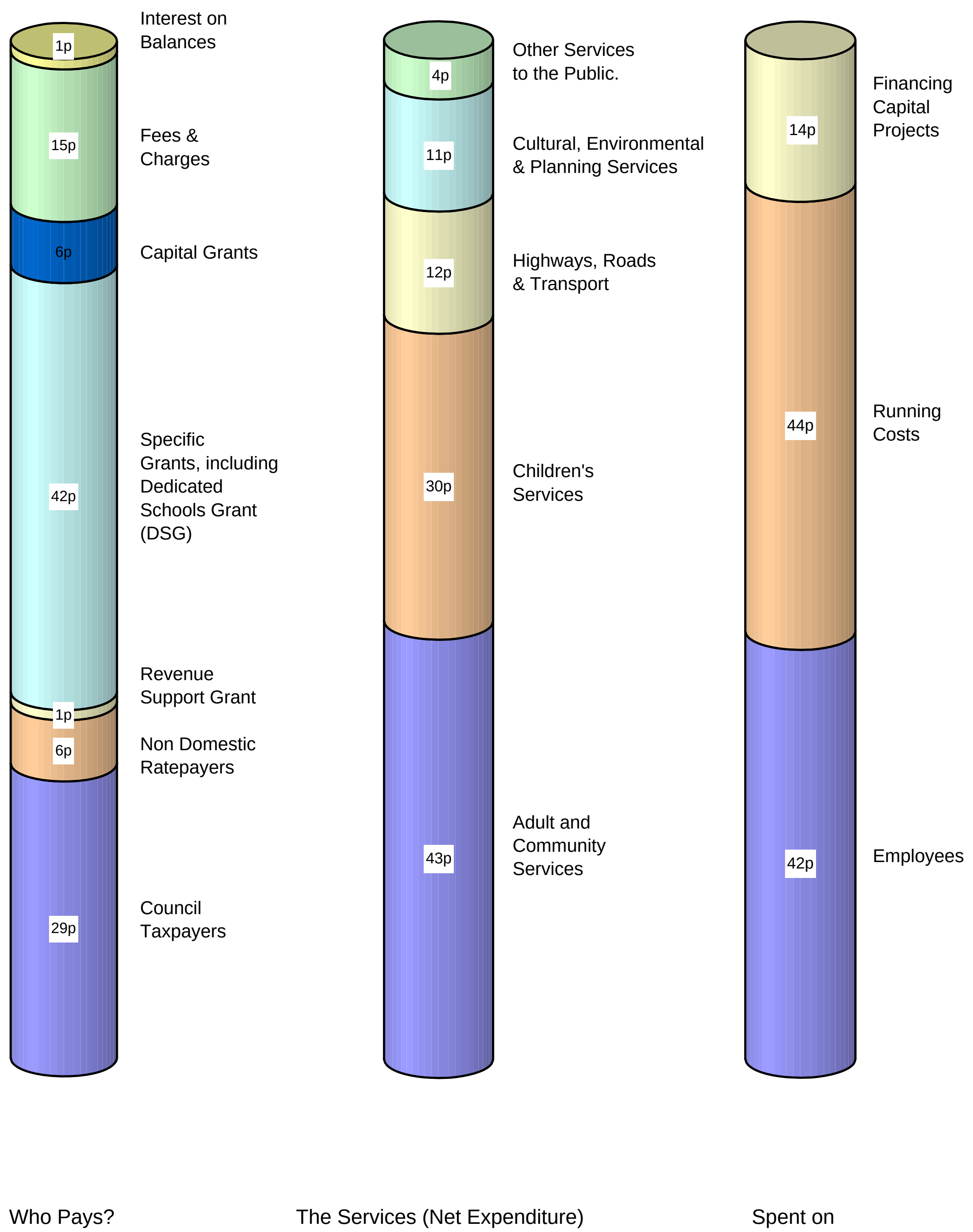
In addition to the full County Council, which meets quarterly, the Council operates a Cabinet which meets monthly. There is also a Community Overview Committee and a Performance Overview Committee, which deal with the main service areas and which both meet on a quarterly cycle. An Audit and Scrutiny Committee meets bi-monthly and is responsible for scrutinising decisions of the Cabinet and examining financial and audit arrangements. In addition there are five regulatory committees dealing with issues such as planning appeals, rights of way etc and a Standards Committee which promotes probity and high standards of conduct throughout the Council.

Further details about the County Council, the six District Councils in Dorset and their respective services are available on the web site www.dorsetforyou.com.

THE FINANCIAL YEAR IN BRIEF

During 2010/11, the County Council spent £725 million on providing services to the 404,000 residents in its area. It invested £125 million in capital expenditure on new schools, social care establishments, and roads for example, and provided direct employment for some 16,017 people (9,653 full time equivalents). The cost of these services for council taxpayers was £1,168.29 (for a Band D equivalent property).

Where the money comes from - and how each £1 is spent

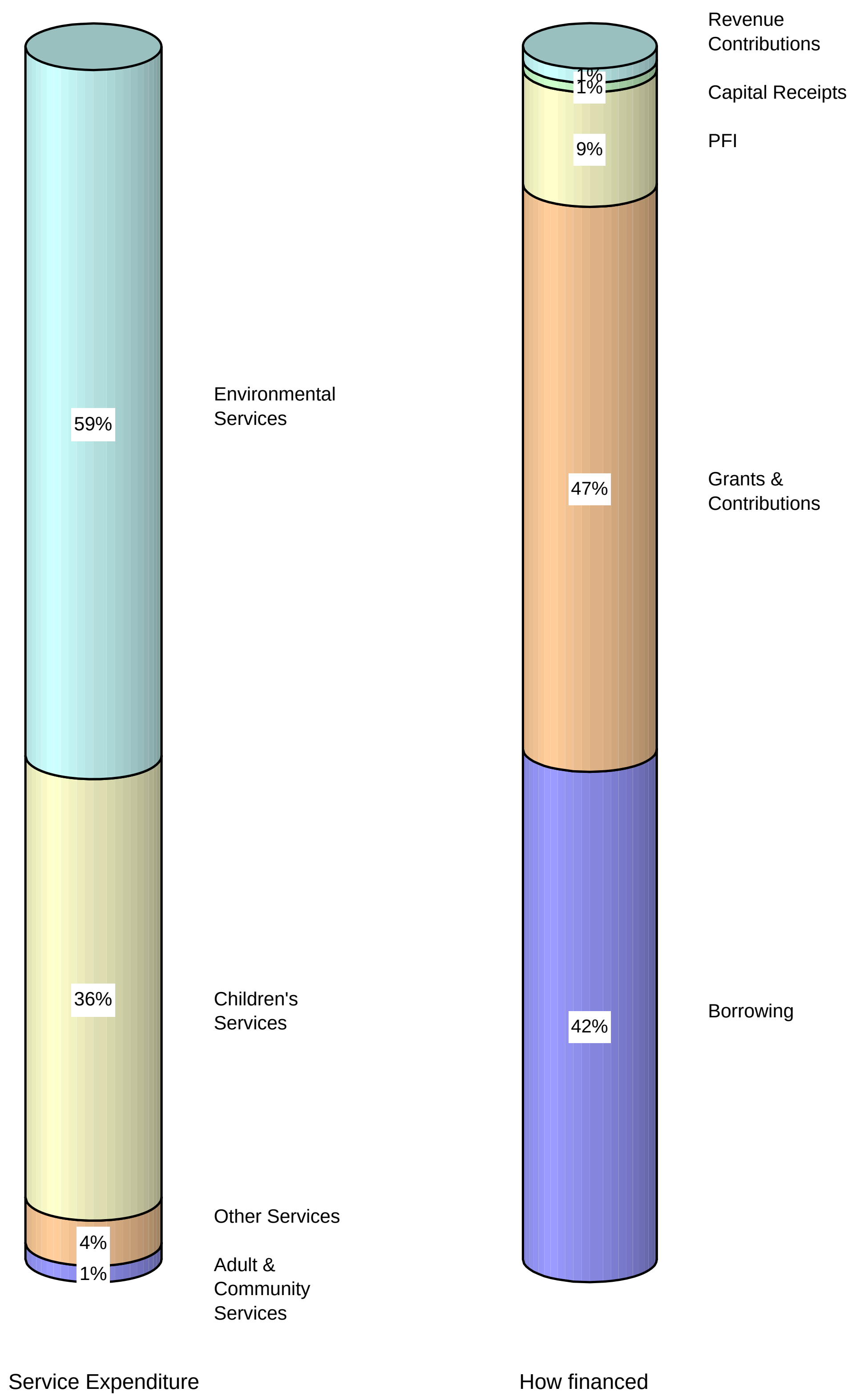


The columns show the proportion of each £1 that is received from or spent on the indicated categories. The first column shows the sources of income to the County Council, the second indicates the demands on the County's resources made by each service, and the third column shows how the money is spent in terms of employee costs, running costs and capital charges.

THE FINANCIAL YEAR IN BRIEF

The following charts show how the capital spending for the year of £125 million is distributed over the services provided by the County Council, and how it is financed.

Environmental Services includes countryside, county farms and waste disposal. Other services includes county buildings and IT equipment.



External contributions largely arise from developers obligations under legislative planning requirements, e.g. Section 106 and Section 278 agreements. These contributions provide funding for the infrastructure required for new housing or industrial estates.

FOREWORD

Review of the Year

The Council's corporate priorities for 2010/11 were grouped into four themes:-

- People and Community: improve life chances, health and independence for people within thriving and safe communities
- Economy and Transport: improve Dorset's transport and economy
- Environment and Climate Change: safeguard Dorset's unique environment
- Effective Public Services: develop public services fit for the future

This was the third year of the County Council's *Fit for the Future* programme, designed to deliver annual savings of at least £8.6M from an initial investment of £16.4M. When the programme was established, it was expected to provide all the savings needed in the first two years and give flexibility in the third. In the event, by 2010/11 all the savings, together with an addition to the planned rise in council tax and a further small saving across all services, were needed to complete balancing the budget.

The *Fit for the Future* programme has now delivered the majority of the anticipated benefits, but the programme has been followed by *Meeting Future Challenges,* which has much more challenging financial targets. *Meeting Future Challenges* is designed to yield almost £46M of savings over the three years to 2013/14 to cover the major part of a projected £55M shortfall in funds. £31M of the savings are due to be achieved in 2011/12.

The Resource Allocation Model (RAM), introduced for the 2007/08 budget, continues to provide a robust mechanism for addressing inflationary, demographic and volume pressures in budget planning in an open and fair manner. The model is valued by members, officers and inspectors. It reduces time and effort spent in bidding processes, enabling greater focus on the key issues facing the County Council and the action needed to balance the budget.

This was the third and final year of the Government's three-year settlement for local government. Despite the deterioration in the national finances, the Labour Government honoured the funding levels previously announced. Dorset's percentage increase in Formula Grant was 7.0%, again the highest for any County Council, but still on a very low base. So the grant of £50.75M for 2010/11 did not change Dorset's position as the one of the County Council's with the least Formula Grant per head. When Dedicated Schools Grant, the grant to support schools and services to pupils, was included, Dorset's funding per head remained the lowest of any County Council. The Area Based Grant (ABG), introduced by the Government in 2010/11, largely replacing a number of specific grants, was due to provide a further £26M during the year. However, the incoming Coalition Government reduced funding for local government by £6.2 billion. Dorset's share of this was a cut of £6.9M in capital and revenue grant funding, of which £2.4M came from the ABG.

This low level of Government funding meant that Dorset had one of the highest rates of council tax in order to support a budget that is close to the county average of spending per head.

The increase in taxbase for council tax was 0.6%, closer to the average in previous years after a drop to just 0.2% in 2009/10. The Council's share of the one-off surplus on the District Councils' council tax collection funds in the previous year was just under £0.6M. Following careful consideration of the pressures and constraints on the budget, the County Council agreed a requirement of £278.4M, resulting in a Band D council tax of £1,168.29, an increase of just below 3% compared with the 2009/10 figure. NB. The £0.9M surplus on the collection funds in 2010/11 is reflected in the year's accounts, but the sum has been applied towards the 2011/12 budget.

Performance against budget

A summary of the Authority's expenditure against budget is provided in note 10.

In addition to changes in accounting required by adoption of International Financial Reporting Standards (IFRS), net expenditure on services in 2010/11 is distorted by the one-off credit in respect of the reduced pensions liability arising from the Government's decision that public sector pensions will in future be uprated by the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The outcome was a reduction in net expenditure on services from £254.652M in 2009/10 to £218.052M in 2010/11. The net effect of corporate items, mainly interest payable and receivable, was £23.417M. Although repayments in respect of deposits with one former Icelandic bank continue to be received on or ahead of schedule, repayments have not yet started for the other. So the corporate items include a further impairment provision of £0.127M to reflect the latest information about likely payment dates and amounts. This is explained more fully in note 31 to the accounts. After these entries, the overall net operating expenditure was £241.469M. Apart from specific grants already taken into account in arriving at net expenditure, the majority of funding

came from council taxpayers (£202.357M, in the income and expenditure account, determined on the accruals basis) while general grants from Government amounted to £74.422M.

There was a net overspend of £2.034M at the end of 2010/11 on revenue budgets subject to the scheme of financial management (excluding the Schools Budget). This is offset against general balances in the final accounts. Within Environment, an overspend on Highways and Transportation was offset by underspends on other services, largely Waste Management. Within Adult and Community Services, there was a net overspend of about £2.7M Social Care and £0.9M on Adult Learning. Underspending on centrally managed budgets (mainly borrowing costs and the contingency) meant that, in spite of the net overspend on services, balances remained near the top of the operating range, enabling proposals for earmarking £0.738M for specific needs in 2011/12. Use of the remaining flexibility will be considered during 2011/12, in the light of progress in delivering the Meeting Future Challenges programme and the impact of other demands. The net underspend against revenue budgets for the year was £4.759M; this can be seen in Note 51.

Within the Schools Budget, largely funded by the Dedicated Schools Grant, there is an accumulated balance carried forward of £8.74M in respect of schools and just over £1M for other services. Of the former, £5.8M relates to budgets held by individual schools; the remainder relates to various shared balances, such as pyramid and partnership funds, and the schools' contingency.

Earmarked Reserves in total at the end of 2010/11 amount to £29.178M, excluding capital receipts not yet applied. These reserves are held for specific purposes and are not generally available to support the revenue budget. In addition, there is a new reserve required under IFRS, comprising £42.690M funding received from external sources before the end of 2010/11 that is not due to be spent until 2011/12 or a future year. A summarised analysis of these reserves is provided in note 50 to the accounts.

The overall summary of movements in balances at note 51 of the accounts shows an increase of £8.548M over the year to £30.365M. This comprises £12.625M General Balances, £9.746M relating to schools and the Schools Budget and £7.994M in respect of capital expenditure.

The revised capital programme for 2010/11 showed planned expenditure of £150.5M for the year (excluding Private Finance Initiative (PFI) projects and leases). It again provided for a high level of work on the Weymouth Relief Road during the year and continued spending on the Modernising Schools programme, including the replacement of Queen Elizabeth School in Wimborne. Slippage against this budget meant the actual spend was £112.8M, with £37.7M being slipped into future years. This slippage relates to several schemes including the Modernising Schools programme, various Highways schemes and works at a number of Household Recycling Centres.

Borrowing and sources of funds

The Prudential Borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Before 2005/06 the Council did not exercise its powers to borrow for expenditure not supported by Government grant. However, primarily to provide funding for the schools modernisation programme in the capital programme, from 2005/06 the County Council has borrowed without grant funding support. At the end of 2010/11 the County Council's total borrowing amounted to £162.6M externally and £72.0M temporarily from internal balances. Of these, a total of £82.3M was unsupported by borrowing approvals from the Government (which means that the cost of this part of the debt is not reflected in the grant from Government and so has to be fully funded from local resources).

Material changes in provisions, contingencies and amounts written-off

Movements in provisions are disclosed in note 39 to the accounts. There were no significant contingencies to disclose and amounts written-off during the year amount to £0.1M.

Pension fund

Global financial markets were less volatile in 2010/11 than in the previous two years. The recovery in value of the Pension Fund assets from the major falls in market value in 2008/09 has continued. The overall Fund accounts for the year show an increase in value of around £150M, to £1.56 Billion at the end of March 2011.

Changes in Statutory Functions

There were no significant changes in statutory functions that require disclosure during the year, but the Dorset Waste Partnership was established on 1 April 2011. The partnership is the result of four of the six

District and Borough Councils coming together with the County Council to provide a unified waste collection and disposal service. The remaining two District and Borough Councils are also members of the partnership, but will not be active participants until 2013.

Events after the balance sheet date

There have been no significant events between the balance sheet date and the approval of these Financial Statements which require disclosure or adjustment of the Statements.

Basis of Preparation and IFRS

The accounts are prepared in accordance with:

- the Accounts and Audit Regulations 2003 (as amended in 2006 and 2009)
- the CIPFA Code of Practice on Local Authority Accounting 2010/11
- the CIPFA Best Value Accounting Code of Practice (BVACOP) for the Comprehensive Income and Expenditure Statement on pages 29 and 30.

The transition from the 2009 Statement of Recommended Practice to the 2010/11 Code of Practice, represents the most significant change to the basis on which the Financial Statements are prepared and presented for some years. There are numerous other references in this document to the transition to the IFRS-based code, and how it impacts on the accounting transactions, balances and reporting. More details of specific changes in accounting can be found in the Accounting Policies section and in the detailed notes to the accounts themselves. One of the disclosure notes provides a reconciliation of the 1 April 2009 balance sheet position under the new IFRS-based Code and the previous balances reported under the SORP.

This Foreword to the Statement of Accounts provides a brief explanation of the financial activity of the Council for the financial year 2010/11. In addition, separate summarised accounts are shown on pages 60 to 61 relating to the Dorset Pension Fund. Each set of accounts has its own explanatory notes, which provide further information.

The Core Financial Statements comprise: -.

i) Comprehensive Income and Expenditure Statement (Pages 29 to 30)
This statement summarises the Council's income and expenditure for the year. It is a consolidation of the statements previously published as the *income and expenditure statement* and the *statement of total recognised gains and losses.* The statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

ii) Balance Sheet (Page 31)
The Balance Sheet shows the value as at the Balance Sheet date, of the assets and liabilities recognised by the County Council. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is *usable reserves;* ie those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were to be sold; and reserves that hold timing differences shown in the *Movement in Reserves Statement* line *Adjustments between accounting basis and funding basis under regulations*.

iii) Statement of Movement in Reserves (Page 32)
This statement shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The *Surplus or (Deficit) on the Provision of Services* line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

iv) Cash Flow Statement (Page 33)
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

v) Notes to the Core Financial Statements (Pages 34 to 57)
These give further information and explanations of the figures in items i) to iv) above, collectively known as the Core Financial Statements.

vi) Dorset County Pension Fund Accounts and Notes (Pages 60 to 72)
These summarise income and expenditure transactions and net worth of the Dorset Pension Fund, followed by further explanatory notes relevant to the Pension Fund.

I confirm that the Statement of Accounts gives a true and fair view of the position of the County Council as at 31 March 2011 and of its income and expenditure for that year.

Paul Kent, Chief Financial Officer

28 June 2011

STATEMENT OF RESPONSIBILITIES

The following statement describes the respective responsibilities of the County Council and the Chief Financial Officer for the accounts.

The County Council is responsible for:

- securing appropriate arrangements for the proper administration of its financial affairs and ensuring that the nominated officer, namely the Chief Financial Officer, has the responsibility for them;
- managing its affairs so as to ensure the economic, effective and efficient use of resources and the safeguarding of assets;
- approving the statement of accounts.

The Chief Financial Officer is responsible for:

- the preparation of the Council's statement of accounts (including those of the Dorset County Pension Fund) so as to ensure they give a true and fair view of the financial position at the accounting date and its income and expenditure for the year;
- selecting suitable accounting policies and applying them consistently;
- making reasonable and prudent judgements and estimates;
- complying in all material aspects with the Code of Practice on Local Authority Accounting in the United Kingdom and Best Value Accounting;
- keeping proper, up to date, accounting records, and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Scope of responsibility

1.1. Dorset County Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and that funding is used economically, efficiently and effectively. Dorset County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility Dorset County Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

1.3 Dorset County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. In 2010/11, additional requirements recommended by CIPFA in March 2010 were incorporated. A copy of the code and the latest assessment of compliance with it are on our website at http://www.dorsetforyou.com/index.jsp?articleid=29141 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ. This statement explains how Dorset County Council has complied with the code. It also meets the requirements of regulation 4(4) of the Accounts and Audit Regulations (England) 2011 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dorset County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Dorset County Council for the year ended 31 March 2011 and up to the date of approval of the annual statement of accounts.

3. The governance framework

3.1 Some of the key features of the governance framework are set out in the following paragraphs.

3.2 The corporate plan, Our role in Dorset, sets out the contribution we will make to improving the quality of life for people in Dorset. The corporate plan is reviewed annually. This review takes account of feedback from surveys conducted with the public in Dorset on general satisfaction and specific service issues, including through our Citizens' Panel. It is also informed by consultation with a Staff Panel

3.3 The County Council's corporate plan supports the delivery of the County's Community Strategy, advanced through the Dorset Strategic Partnership. Supporting the delivery of the corporate plan are directorate plans (in 2010/11), service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

3.4 The Constitution of Dorset County Council establishes the roles and responsibilities for members of the executive (the Cabinet), Overview, Scrutiny, Regulatory and Standards Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it

continues to be fit for purpose. Proposed changes to the Constitution are overseen by the Standards Committee, which has a majority of independent external members and no Cabinet members. The Standards Committee's views on the suitability of any changes are reported when they are presented to the full County Council for approval.

3.5 The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of the County Management Team.

3.6 The counterbalance and challenge to our Cabinet is undertaken primarily by the Audit and Scrutiny Committee. Dorset County Council's scrutiny function has been described as exemplary in corporate peer review and Audit Commission corporate assessment reports. In addition, the Performance Overview Committee monitors performance across the authority and oversees the service and efficiency review programme.

3.7 A complaints procedure and a whistle-blowing policy are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to the Audit and Scrutiny Committee. Under the local assessment regime for complaints against members, overseen by the Standards Committee, in 2010/11 there have been two complaints. After investigation, the Assessment Sub-Committee decided that no further action was required in either case.

3.8 Further assurance of proper practice is provided by the annual Ethical Governance Audit. The 2010 audit, carried out using the I&DeA's "Governance Toolkit", produced a strong net positive response in all areas, leading to the conclusion that a high degree of reassurance about adherence to high standards of ethics and probity could be taken from the review.

3.9 The County Council has a strong risk management function. The risk management policy and strategy are reviewed annually. The Risk Management Group draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. The Corporate Risk Register has informed preparation of the list of governance issues later in this statement.

3.10 In January 2008 the County Management Team approved a Data Quality Policy, setting out our data quality objectives and including an action plan based on the Audit Commission's standards to develop our management arrangements. The policy provides for regular self-assessments of progress to be undertaken. In March 2009 our external auditors, KPMG, published the result of their Data Quality Review for 2007-08. Our overall performance was assessed as adequate. We performed well in respect of our arrangements over 'systems and processes' and 'data use and reporting'. However, work is continuing to make a number of improvements, in line with KPMG recommendations, in respect of our data quality 'governance and leadership', 'policies and procedures' and 'people and skills'.

3.11 Training needs of members and officers are identified through appraisal and review processes. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council's needs. An extensive induction programme was put in place to ensure that newly elected members in June 2009 could quickly make an effective contribution to the work of the authority. A Policy Development Group on Member Development has been established to ensure that the development needs of members are identified and can be addressed.

3.12 The County Council is committed to partnership working. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset. Guidance on best practice in partnership governance has been adopted to ensure that partnership arrangements are as productive and secure as possible. The establishment of the Dorset Waste Partnership between the County Council and the six districts and boroughs is the latest example of the positive outcomes achieved through partnership working.

4. Review of effectiveness

4.1 Dorset County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the findings and reports issued by the external auditors and other review agencies and inspectorates.

4.2 The Director for Corporate Resources has responsibility for:

- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice;
- reporting annually to the County Management Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

4.3 The Chief Financial Officer has responsibility for the proper administration of the County Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the County Council.

4.4 In addition Dorset County Council's Internal Audit Service, via a specific responsibility assigned to the Head of Internal Audit, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. Since April 2010, internal audit work has been carried out under contract by the South West Audit Partnership (SWAP).

4.5 The review of compliance with the governance framework has involved:

- review of the latest position on the core principles by lead officers;
- review of the overall assessment by the Corporate Governance Group;
- discussion of the draft compliance assessment and significant governance issues at all Directorate Management Teams and at County Management Team;
- review of the draft compliance assessment by the Standards Committee, the Audit and Scrutiny Committee and the Cabinet;
- consideration of the draft Annual Governance Statement by the County Management Team;
- review of the draft Annual Governance Statement by the Audit and Scrutiny Committee and (before approval of the annual accounts) the Ad Hoc Accounts Committee.

4.7 The County Council has also been advised on the implications of the review of the effectiveness of the governance framework by the Standards Committee and Audit & Scrutiny Committee. Plans to address weaknesses and ensure continuous improvement of the system are recorded in the annual compliance assessment.

5. Significant governance issues

5.1 Governance issues can be put into two groups:

(i) elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

(ii) issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

5.2 In the first group, there were no elements of the framework for which the judgement is that the County Council is non-compliant, but there are eleven for which the judgement is only partial compliance and where improvement is necessary. This is an increase from five in 2009/10, although four arise in respect of the new requirements recommended by CIPFA.

5.3 Actions needed to achieve full compliance are largely covered by existing improvement plans. The issues and actions can be summarised as follows. More detail of the evidence is provided against the relevant core principles in the compliance assessment:

a) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
In spite of the Council's success in establishing partnerships, there is still some inconsistency in the way they operate. This will be addressed through one of the projects in the Meeting Future Challenges programme that has been established to deliver the savings and changes in working needed for the County Council to manage with reduced funding in the future.

b) Develop protocols to ensure effective communication between members and officers in their respective roles
Concerns have been expressed by some members, particularly through the Audit and Scrutiny Committee, that they are not being informed or consulted about matters affecting their wards in spite of the recent refreshment and relaunch of a protocol for this. The experience of all members is being examined through the member development interviews and the latest information is that it is only a minority of members that share this concern. Nevertheless, failures to comply will be pursued with the officers concerned and their managers.

c) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
Implementation of the data quality action plan is incomplete. It has been populated with information on evidence based decision making and the committee report process. The Committee Report Process now involves a "Use of Evidence" check in the report template, to complement the "Reasons for Recommendations" section to ensure there is a record of the rationale behind decision-making. These mechanisms, as well as those for using quality data for evidence, are being promoted amongst senior managers.

d) Assess the skills required by members, officers and managers [for their governance roles] and make a commitment to develop those skills to enable roles to be carried out effectively
The group overseeing compliance with the governance framework felt concerns that there is a lack of clarity about the significance of governance in the work undertaken by many members of staff, and that those with specific governance responsibilities rarely have these explored during the Performance and Development Reviews (PDRs). The group will undertake further work on this to bring forward proposals to improve awareness and promote coverage during PDRs.

e) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
This issue is linked to the previous one.

f) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
The concern relates to engagement as an elected member of the Authority but it must be recognised that there are wider opportunities for engagement and participation as consultees. Information for prospective candidates for election has been published on dorsetforyou and in *Your Dorset* but a more active part in promoting the role of elected members has been left to political parties. Consideration will be given to whether targeted information should be made available to equality groups before the next election to ensure that all sections of the community have the chance to put themselves forward for office.

g) Ensure that career structures are in place for members and officers to encourage participation and development
There is much evidence of good practice in establishing career structures and associated development opportunities, but they are not consistently in place across the organisation nor, in the present financial situation, is it likely that they will be.

h) Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority
Reports are available, but their ease of use and accuracy it is not yet at the level required before responsibility is passed to budget managers and accountancy input and support to

their production is reduced. Development work continues, together with identification for managers of the key reports they should use on a regular basis.

i) Ensure the authority puts in place effective financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes
This is particularly important in a time of transition and retrenchment. More work is needed to ensure complete coverage. A deadline of 30 September 2011 has been set for this.

j) Ensure that councillors' roles and responsibilities for monitoring financial performance / budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities
The Councillor's Guide to Local Government Finance is made available and financial briefings are provided, but there are not initial assessments of financial skills nor are targeted development opportunities offered subsequently. These issues are expected to be covered through the work of the Policy Development Group on Member Development.

5.4 The second group are issues that involve a significant financial or reputational risk to the County Council. A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. The detail of many of them changes over time but .

5.5 Significant issues in this group are:

(i) The County Council's budget and the impact of the economic downturn
In the light of the economic situation, an expanded savings programme, involving a review of all the County Council's activities, was initiated at the Cabinet meeting on 4 November 2009. At that stage, no specific target was set, as the expectation was that all savings identifiable would be needed. The aim was to identify ways in which the County Council could operate more efficiently and economically without requiring major cuts in service.

Early in 2010, the possible impact of reduced Government funding was modelled, indicating an overall funding gap of between £27 million and £40 million by 2013-14 if corrective action was not taken.

The savings review (Meeting Future Challenges - MFC) reported at the end of June 2010. Savings opportunities identified amounted to £30m, near the low end of the projected shortfall. The report to the Cabinet on 21 July 2010 included a scenario of 5% per annum reduction in Formula Grant, 10% per annum reduction in Area Based Grant, and inflation at 1 % per annum. With the implicit assumption that grant losses (including ABG) could be absorbed by reduced expenditure in the relevant areas, the projected shortfall was just below £20m. An alternative scenario, with 7.5% per annum reduction in Formula Grant, 15% per annum reduction in ABG, less optimistic inflation assumptions and an assumption that only non-ABG grant cuts could be absorbed was circulated at the meeting. The shortfall in this case was £37.7m. It was recognised that the funding position was uncertain, further pressures would need to be accommodated and some MFC opportunities might not deliver the full sum projected, so it was agreed that the full set of MFC savings should be pursued.

The development of the budget was discussed at an informal Cabinet / County Management Team meeting on 20 October 2010, just before the Spending Review was published. The implications of the Spending Review were reported to the Cabinet on 3 November and explained in a seminar for all members on 17 November. The reduction nationally over four years appeared in line with our planning assumptions, but the front loading of grant reductions indicated at least £10m funding shortfall in 2011/12, after MFC savings were taken into account but before provision for new pressures. In the light of this, a Budget Working Group was established to look at further savings that could be made quickly. It was accepted at this stage that a significant impact on services would be unavoidable.

The outcome of the Budget Working Group was reported to the Cabinet meeting on 15 December 2010. However, the grant settlement for 2011/12 had only just been received and its implications, particularly in respect of grants outside Formula Grant, were still being assessed. Further analysis showed that more savings were needed, so the Budget Working Group met again and recommended another £7m in savings, just over £3m of this arising in 2011/12, to the Cabinet meeting on 19 January 2011.

The result of all this is that the budget for 2011/12 is balanced, but there are still some £10m of savings to be found in the following two years, if funding and other predictions are confirmed, and there are major challenges involved in delivering some of the agreed savings on schedule.

(ii) Risk of overspending, including pressures such as campus reprovision, learning disability services, demand-driven transport costs and winter maintenance
Halfway through 2010/11, an overspend of almost £10m for the year was projected. A combination of careful budget management, additional Government funding in respect of adult social care and health and underspending on central budgets for interest on borrowing and the contingency for unforeseen costs has eliminated the overspend. However, there remains great pressure on many budgets and this, combined with the major funding reduction in 2011/12, means that great vigilance will continue to be needed to identify and deal with potential overspends.

(iii) Legal challenge to preferential creditor status in respect of deposits with Landsbanki
The impairment charged to the 2008-09 accounts in respect of deposits with Icelandic banks placed in administration was £7.8 million, including £2.8 million of notional lost interest calculated according to accounting guidance. A further £0.3m was charged to the 2009/10 accounts because the expected repayment period in respect of Landsbanki was extended to 2018. Repayments by the administrators of Heritable Bank have been received on or ahead of schedule. These total almost £7.5m, or 56% of the claim, and have exceeded the predicted stage payments. However, legal challenges in the Icelandic courts relating to the preferential creditor status of local authority depositors with Landsbanki were not resolved until April 2011. The ruling was in favour of the local authorities, but repayments have not yet started while the time for a potential appeal elapses.

(iv) Repairs and maintenance backlog of buildings and roads
The latest refresh of the Asset Management Plan was considered by the Cabinet and the Audit and Scrutiny Committee in April 2011. There has been considerable effort in recent months to accelerate the rationalisation programme to reduce the property portfolio to help eliminate the maintenance backlog, with the aim now of achieving a 25% reduction in the estate and its cost in five years rather than the ten years previously planned. This is one of the four key activities in the plan to reduce the buildings maintenance backlog. The other three, involving additional expenditure, are under threat in view of the overall funding position. Nevertheless, the Asset Management Plan records a reduction in priority maintenance requirements between 2009 and 2010 from £90m to £87m, of which £64m is in schools. Around two thirds of the required spend is classed as backlog.

The Asset Management Plan records the highway maintenance backlog as £140m. Some progress will be made by increasing capital expenditure to save on-going maintenance costs through using £1m of the revenue budget to fund the borrowing costs of £11m of capital maintenance works. Even so, it is recognised that the current budget is insufficient to deal with all maintenance needs and one of the savings under the Meeting Future Challenges programme is to reduce to the absolute minimum maintenance of rural cul-de-sacs and back lanes.

(v) Adult Social Care performance, including the impacts of funding changes through the County Council and the NHS and of the Health Reform Bill
In November 2010 an Annual Performance Assessment (APA) was published of the County Council's performance on adult social care. The assessment was carried out by the Care Quality Commission (CQC) in accordance with a range of standards and criteria.

The County Council was assessed as 'performing well' (this equates to two stars, on a scale of no stars to three stars under the previous grading regime). The outcome of the APA reflected the results of the inspection that was carried out in July 2010, which

concluded that the County Council was performing well in respect of ‘improved quality of life for adults with mental health needs’ and performing adequately in ‘safeguarding adults’. The CQC also concluded that the County Council’s prospects in its capacity to improve were ‘promising’.

In 2009/10 adult social care budgets were overspent by almost £1.7m and this would have been higher if it were not for the application of one-off funding and underspends on some budgets. The underlying pressures persisted into 2010/11 and the final overspend (including the overspend brought forward from 2009/10) was £2.8m, with £2.3m of this being contributed by overspends in the Learning Disability service. A range of measures are underway to address the situation across all care groups, in both the short and longer terms. The most significant measure is the Meeting Future Challenges project AS 019 – ‘Single VFM Programme for the community care costs centres’.

There remains a risk that, in order to meet budget targets, performance will suffer.

On 3 November 2010 the Minister of State for Care Services announced that CQC will no longer conduct an APA under the existing framework. In future there will be a new approach which will involve a sector-led assessment of performance, with councils holding greater responsibility for driving improvement. The County Council’s internal performance monitoring is therefore expected to become one of the main sources of assurance in future.

(vi) Safeguarding of children and adults

The Audit and Scrutiny Committee has monitored progress with implementation of the recommendations of the Internal Audit Review of Social Care Services for Children in Need. A follow up review by Internal Audit was reported to the Committee in February 2010. The findings were broadly positive, but the report noted that pressures on the service remained. Temporary funding of six extra social workers in 2009/10 was made permanent in order to maintain performance. The Dorset Safeguarding Children Board is well-established, having replaced and extended the role of the Dorset Area Child Protection Committee in April 2006.

The findings of Ofsted inspections confirm the progress that has been made. The report of the unannounced inspection in May 2010 did not identify any major issues, although eight areas for development were reported. These had reduced to just four in the report of the unannounced inspection in April 2011. The annual children’s services assessment issued at the end of 2010 repeated the judgement of “Performs well (3)” that was awarded in 2009.

The growing importance of safeguarding work with adults was recognised through additional allocations in the 2010/11 budget, which included financial support for the new countywide Dorset Safeguarding Adults Board. The Board’s role is to promote the well-being, independence, choice, dignity and individuality of adults living in Dorset. It builds on the work begun by its predecessor, the Pan-Dorset Adult Protection Committee, which subsequently disbanded in February 2010.

The first end of year report of the Board was presented to the County Council’s Performance Overview Committee on 9 December 2010. It comprised an annual report on performance and included an account of the implementation of the Board’s business plan. The annual report consisted mainly of specific records of activity provided by the organisations that are partners within the Board. For example, Dorset County Council’s adult social care services reported that the number of safeguarding referrals rose by nearly 100% during the time the Triage Service was being piloted, chiefly because of the establishment of the service itself. The report gave further detailed information about the types of referrals and their outcomes.

The report also provided positive accounts of steps that local public service bodies have taken to develop safeguarding practices, but it did not offer an overall conclusion about progress with managing safeguarding risks in partnership. However, some assurance can be taken from the outcome of the Annual Performance Assessment, (APA) which reflected the results of the inspection that was carried out in July 2010. The inspection had referred to the County Council’s effective engagement with partner agencies to develop safeguarding practice, and the APA concluded that the County council was performing

adequately in ‘safeguarding adults’. The APA also judged that the Council’s prospects in its capacity to improve were ‘promising’.In respect of safeguarding of adults, the Performance Overview Committee considered the Adult Protection Committee annual report at its meeting on 28 September 2009. It noted the resource implications for safeguarding adults in Dorset and recommended that permanent funding be identified through the 2010/11 Medium Term Financial Strategy process for continuation of the Triage Service, continuation of the enhanced service funded for 2009/10 only, in-house legal support and external legal costs, and a contribution to a Countywide Safeguarding Board. The importance of this work was recognised though allocations in the 2010/11 budget. The Safeguarding Adults Board is now in place.

(vii) Outstanding claims

It was agreed as part of the 1997 national pay settlement that authorities would undertake local pay reviews, including harmonisation of the former manual workers’ and former officers’ terms and conditions of employment. Over the three year period 2001 to 2004, a programme was undertaken to develop a comprehensive revision to the County Council’s pay and grading structure with the use of a national job evaluation scheme. Some 11,000 employees were affected by the job evaluation exercise and some 1,050 discrete posts (involving generic job descriptions) were established and evaluated leading to a rank order for salary purposes. Pay scales covering all spinal column points from 4 to 82 were covered with the creation of 18 separate grades.

Despite a ballot of union members in October 2004 and subsequent signing of a local collective agreement accepting the outcome of the review, an equal value pay claim was submitted to the Employment Tribunal in October 2007. Since then, further claims have been submitted. At the time this statement was prepared, there were 167 claims involving 158 claimants.

The County Council has resisted the claims but, if it is unsuccessful and settlement is required, the sum involved could be significant. It might require a capitalisation direction to be sought, enabling the cost to be spread over a number of years.

(viii) Information management and governance

Information security and governance remains a high profile issue nationally because of the loss by a number of public and private sector organisations of significant quantities of sensitive data. This is not exclusively an ICT issue and continued vigilance is needed to ensure that sensitive information in any format is only held where necessary and appropriate, that it is maintained accurately and kept securely. The County Council’s Information Security Policy Framework and suite of supporting policies has recently been revised and expanded considerably. The revised framework was approved by the County Management Team in March 2010 and was adopted in April by the Standards Committee and the County Council.

The Corporate Information Management Strategy was adopted during 2010/11. The action plan covers governance issues as well as opportunities to realise benefits from a structured approach to information management. More efficient handling and use of information underpins a number of the projects in the Meeting Future Challenges programme.

(ix) Consultation and the use of evidence, including equalities issues

The Audit and Scrutiny Committee received a report in March 2011outlining the whole-organisation approach to consultation and engagement, including resources, contacts, and processes to ensure standardisation of delivery. The Committee recommended emphasis in the approval process for including local members in consultation processes; ensuring the public are consulted on early on all options for decision-making; and that information and guidance continued to be available on-line. The officers’ Corporate Evidence Group has refreshed this guidance and will continue to assist in guides on how to promote participation on equalities issues (such as one for disability in 2011). The Corporate Evidence Group is considering its support role in the organisational response to the new emphasis on 'data' under the new Public Sector Equality Duty (April 2011).

(x) Implementation of the Purbeck Schools review

The Purbeck Review will entail a complex change process with a number of strands. There is a need to sustain the quality of education in the four middle schools set to close

while many of the staff, both teaching and non teaching, face the prospect of redundancy. There is a possibility that those members of staff who can secure jobs elsewhere will do so leaving the quality of the curriculum at risk. The existing first schools will enter a period of protracted construction works which may disrupt the children's education and so it will be necessary to mitigate the impact of this disruption during the change. There are financial risks in both the human resource changes and the construction programme. Therefore the project management programme designed to sustain the partnership of schools and the local authority will be important in the governance of the implementation process. The Modernising Schools' Programme Board will oversee the process along with the Asset Management Board. However, there is a potential weakness in the oversight for the Human Resource processes, so discussions are underway with the Schools' Forum regarding the management and control of funding for redundancy. Oversight of and support for the quality of education rests with the Learning and School Improvement Service.

(xi) Industrial relations, particularly with regard to employment terms and conditions
The County Council has generally benefited from harmonious and mutually productive relationships with the unions. However, the need to find unprecedented savings from the budget at very short notice has meant that changes affecting large numbers of staff are unavoidable. The Council has sought to minimise the number of compulsory redundancies in many ways, including careful vacancy management, use of temporary staff and requests for volunteers for redundancy and reduced hours. Nevertheless, further action has been required to contain costs, including reduction in non-statutory redundancy payments and consultation about other ways to save staff costs, including unpaid leave and reduced payments for working unsocial hours. Although not all the proposals will proceed to implementation, they have led to deterioration in relationships with staff and the unions, with a “work to rule” introduced in response to the changes relating to redundancy payments. In view of the continuing funding constraints faced by the County Council, it is possible that relations will worsen further.

5.6 We are satisfied that arrangements are in place to address the need for improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks set out in section 5.5 will be monitored through the year by the officers’ Governance Group and the Audit and Scrutiny Committee.

David Jenkins **Angus Campbell**

Chief Executive **Leader**

14 June 2011

1 INTRODUCTION

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting (The Code) and the Best Value Accounting Code of Practice (BVACOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

The year ended 31 March 2011 is the first year in which Financial Statements for Dorset County Council have been prepared on an IFRS basis. First-time adoption of IFRS brings the requirement to restate the balance sheet for 31 March 2010 (closing prior year), and for 1 April 2009 (opening prior year). There is also a requirement to restate the financial performance for the year ended 31 March 2010 so that all comparative information is presented on an IFRS basis.

All of this information is included within the core Financial Statements, notes to the accounts and Appendices 1 and 2, which show a reconciliation of the published information from previous Financial Statements and the restated figures included in this document.

2 ACCOUNTING CONVENTIONS

The Financial Statements of the Authority are prepared on the basis of historic cost except where disclosed otherwise in Accounting Policies or notes, where required by IFRS. Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories and certain financial assets and liabilities.

The financial statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

3 CHANGE OF ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements. An entity is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. If the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

Changes in accounting policy are common with the first-time adoption of IFRS and are disclosed in the body of this document. Additionally, any accounting changes required by a new standard that have been issued but not adopted by 1 January prior to the Balance Sheet date, must be covered by a disclosure note (note 2) setting out the impact of the change.

4 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors. Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

This is a change of accounting policy required by the transition to IFRS. The previous accounting policy required correction of fundamental errors.

5 EVENTS AFTER THE BALANCE SHEET DATE

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. Non-adjusting events are disclosed in the Financial Statements if it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

6 CONTINGENT LIABILITIES

No provision is made in the accounts for contingent liabilities. Details of any other liabilities are disclosed in the notes to the Financial Statements.

7 AGENCY ACCOUNTING

Council Tax revenue is reported in the Comprehensive Income and Expenditure Statement on a full accruals basis. Prior to 1 April 2009, the amount that was paid under regulation to the precepting authority was reported. This change to Agency Accounting, introduced by SORP 2009 in preparation for IFRS transition, means that Dorset County Council's Balance Sheet also includes a proportionate share of the Council Tax debts of the Billing Authorities.

8 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Where capital expenditure does not result in the acquisition of a fixed asset, or is incurred on an asset not belonging to the County Council (e.g. a VA school), the expenditure is charged directly to the relevant service in the year it occurs, with the necessary appropriations in the Statement of Movement in Reserves and the Capital Adjustment Account.

9 INTANGIBLE FIXED ASSETS

i Recognition

Expenditure on the purchase of computer software licences is capitalised as intangible fixed assets. Internally developed intangible assets can only be capitalised where they satisfy the criteria set out in International Accounting standard 38. There are no such assets for Dorset County Council.

ii Measurement

Purchased intangible assets are capitalised at cost, and are unlikely to be revalued unless there is a readily ascertainable market value.

iii Amortisation

Intangible assets are amortised on a straight line basis over their useful economic lives, with no residual value. Intangible assets are amortised over periods ranging from 2 to 4 years.

iv Charges To Revenue

The 2006 SORP removed the requirement to charge services a notional interest cost (as well as depreciation), to reflect the use of their assets. Capital charges to services are now for depreciation or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) so the cost to the local taxpayer is unaffected by capital accounting requirements.

v Impairment

Impairment of intangible assets is taken to the Revaluation Reserve in the first instance, and will only be charged to Surplus or Deficit on the Provision of Services once the balance on the reserve in relation to the intangible asset has been reduced to zero. This is a change in accounting policy, brought about by IFRS transition. Previous policy required impairment arising from the consumption of economic benefits to be charged to the Income and Expenditure Account in all cases.

vi Reversal of impairment

Intangible assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

10 FOREIGN CURRENCY TRANSLATION

Income and expenditure arising from transactions in foreign currency is translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Balances denominated in a foreign currency are translated at the prevailing exchange rate at the Balance Sheet date.

11 GRANTS & THIRD PARTY CONTRIBUTIONS

All grants and contributions are realised in the Comprehensive Income & Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled.

Capital grant is initially transferred to the Capital Grants Unapplied Account. When the associated capital expenditure has been incurred, the grant is transferred to the Capital Adjustment Account.

Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

12 INTEREST

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest related to its actual borrowing. Other types of interest (eg for finance leases) are reported in service accounts. Note (21) provides an analysis of all interest payable and receivable.

13 INVESTMENTS

The Authority holds no investments in companies or marketable securities. Short-term cash surpluses are invested with other Local Authorities, banks and building societies in accordance with the CIPFA Code on Treasury Management as detailed in the notes to the Financial Statements. Details of investments held by the Pension Fund are disclosed in the notes to the Pension Fund Financial Statements.

14 LEASES

Leases are classified as finance leases when substantially all the risks and rewards of ownership transfer to the lessee. All other leases are classified as operating leases.
For operating leases where DCC is the lessee, lease payments are recognised as an expense in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.
For finance leases where DCC is the lessee, at the start of the lease term, the Authority records an asset and a corresponding liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Depreciation on finance leases is consistent with that for other property, plant and equipment.

For operating leases, where Dorset County Council is the lessor, lease receipts are recognised as income in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.
Where Dorset County Council is the lessor of a finance lease, at the commencement of the lease term, the Authority records a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease. The Authority recognises finance income based on a pattern reflecting a constant periodic return on its net investment outstanding in respect of the finance lease.

Land and buildings elements of a lease of land and buildings are classified and accounted for separately. Leased land is always treated as an operating lease; buildings are assessed separately to determine whether they are finance or operating leases.

15 LEASE TYPE ARRANGEMENTS

IFRIC4 sets out the principle that in recent years, arrangements have developed that do not take the legal form of a lease, but which convey rights to use assets in return for a payment, or series of payments. Such arrangements are deemed to be leases where:
(i) fulfilment of the arrangement depends on a specific asset
(ii) the arrangement conveys a right to control the use of the asset.
In such cases, the transaction is deemed to be a lease and is assessed as to whether it is an operating or finance lease and accounted for accordingly. Dorset County Council has no such arrangements in place.

16 LONG TERM CONTRACTS

The County Council has entered into two long term contracts under the Private Finance Initiative (PFI); one for the provision of a replacement secondary school, the other for the provision of street lighting. Up until 2009/10, like other schemes, the assets and liabilities were not recorded on the County Council's Balance Sheet. Instead, they were deemed to be the property of the PFI Operators, and the charges levied on the Local Authority by the Operators, were treated as revenue costs and shown in the Income and Expenditure account in the year in which they accrued.
SORP 2009, as preparation for transition to IFRS, introduced changes to this basis of accounting, setting out the requirement for Local Authorities to account in full, for the assets and liabilities of PFI Schemes. Dorset County Council made the necessary changes to its accounting arrangements to bring its PFI schemes' assets and liabilities onto the Balance Sheet as at 1 April 2009, and to ensure all future expenditure is classified appropriately between capital and revenue.

17 OVERHEADS (SUPPORT COSTS)

Support Services are corporate activities of a professional, technical and administrative nature that are carried out in support of the direct service provision of the Authority. The Best Value Accounting Code of Practice requires Authorities to adopt consistent policies when allocating the costs of these services to users. These activities are fully allocated over all services on the basis of use. Time recording systems are operated by central support services to enable more accurate recharges of costs to customers. Charges for office accommodation are based on the floor area allocated to services. Other centrally provided services are recharged on the basis of actual usage, e.g. IT Services, or by direct charges to customers, e.g. printing.

Service level agreements defining the agreed quantity, cost and types of service to be provided for individual managers are also used in relation to the limited number of internal trading organisations operated by the Council. Contractual agreements have been established by a number of Directorates of the Authority to provide services to, amongst others, further education colleges, Care South, Dorset Police and Dorset Fire Authority.

Some overheads are not apportioned, recognising the Council's status as a multi-functional democratic organisation. These costs are shown as part of the Net Cost of Services under the Corporate and Democratic Core heading in the Comprehensive Income & Expenditure Statement, along with certain other non-distributed costs relating to pension benefits.

18 PENSIONS

The cost of pensions is accounted for in accordance with IAS19. Previous accounting arrangements carried out under FRS17 are similar. FRS17 was introduced in 2001-02 for implementation on a phased basis. Full implementation has been in place since 2003-04.

Liabilities in relation to retirement benefits were recognised only when employer's contributions became payable to the pension fund. The current policy better reflects the Council's commitment in the long term to increase contributions to make up any shortfall in attributable, net assets in the pension fund.

The overall amount to be met from Government grants and local taxpayers remains unchanged, but the costs reported for individual services are adjusted by the difference between the employer's contributions and the current service costs defined under IAS19. This adjustment is reversed in the Movement in Reserves Statement on page 32.

19 PROVISIONS

The County Council maintains provisions to meet liabilities arising from past events, where it is deemed that there will be a future obligation, but the timing and precise amount are uncertain.

The Council maintains external insurance only for major risks, self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally.

The adequacy of the County Council's provisions is reviewed annually.

Provisions are separately disclosed on the face of the Balance Sheet, classified as to current or non-current liabilities (all are deemed to be current liabilities).

Provisions are measured at the present value of the expenditure required to settle the obligation, where the time value of money is significant.

20 REDEMPTION OF DEBT

The County Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement to the revenue account in each financial year. Details are shown in the notes to the Financial Statements. The County Council has chosen 4% as its rate.

21 RESERVES

A number of earmarked reserves have been established to meet future expenditure. These include reserves to finance particular capital projects and reserves to smooth irregular expenditure.

Many new reserves have also been established with the transition to IFRS, due to the change in accounting policy for grants and other contributions.

22 INVENTORIES

Stocks and stores held at the year-end are valued at the lower of cost and net realisable value. Certain minor stocks are not valued (eg stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

23 TANGIBLE FIXED ASSETS

i Recognition

The Code of Practice on Local Authority Accounting requires Local Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS. A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.

Property, plant and equipment is capitalised if:

(i) it is held for use in delivering services or for administrative purposes
(ii) it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority
(iii) it has a useful economic life of more than one year
(iv) the cost of the item can be measured reliably.

ii Measurement

A full revaluation of the property assets was carried out during 1999-2000. Values are updated based on the results of annual revaluations of a representative sample of 20% of properties. The value of assets for the purposes of the capital accounting requirements does not purport to be the market value of assets owned by the Authority.

The County Council's assets are valued (generally) on the following bases:

Type of Property	Valuation Basis
Non-operational property	Market Value (MV)
Operational, non-specialised properties	Existing Use Value (EUV)
Operational, specialised properties	Depreciated Replacement Cost (DRC)
Infrastructure and Intangible Assets	Depreciated Historic Cost
Community Assets	Historic Cost
Assets under construction	Actual Cost

In addition, Assets Held For Sale are valued at the lower of their carrying amount and the fair value less costs to sell. There are certain qualifications to these general valuation bases, which are available upon request from the Capital Accounting Team but which are not produced here.

iii Impairment

Assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a fixed asset below the amount at which it is being carried in the balance sheet. It can be the result of physical damage, use, obsolescence or the passing of time.

If any indication of impairment exists, the recoverable amount is estimated.

Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain.

Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised.

Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

This is a change in accounting policy from the previous basis, which was that impairment losses attributable to the clear consumption of economic benefits were charged to the relevant service revenue account. Other impairment losses were written off firstly against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account. Where an impairment loss was charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss was transferred from the Revaluation Reserve to the Capital Adjustment Account. The revised accounting treatment means this entry is no longer necessary.

A revaluation loss is a decrease in the carrying amount of an item of property, plant or equipment that is not specific to the asset. An impairment is where the review of an individual asset reveals that it is being carried at a value above its recoverable amount.

iv Reversal of impairment

Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years, is treated as a revaluation gain and charged to the Revaluation Reserve.

v Disposals

Capital receipts from the disposal of property and other assets owned by the Council, less the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.

vi Gains and losses on disposal of assets

A gain or loss arises when the proceeds of the sale of an asset differs from the net book value of that asset in the Balance Sheet. The gain or loss is charged to the Net Operating Expenditure section of the Income & Expenditure Account, and reversed out in the Statement of Movement in Reserves General Fund Balance).

vii Depreciation

Tangible fixed asset depreciation is charged to the Income & Expenditure Account where the assets have a finite useful life. This includes buildings in accordance with the requirements of IFRS. As part of the annual valuation of assets, the Valuation and Estates Manager determines the estimated useful life of the properties. The depreciation charge is based on equal annual instalments over the expected life of the asset with no allowance for residual value. For guideline purposes, vehicles and equipment are depreciated over periods of 2 to 10 years, infrastructure assets over 20 years and buildings over periods of 20 to 60 years. No depreciation charge is made for land or community assets.

viii Charges to revenue

The 2006 SORP removed the requirement to charge services with a notional interest cost in addition to depreciation or impairment, to reflect the use of their assets. Capital charges to services are now for depreciation or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

ix Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset, is expensed in the Comprehensive Income and Expenditure Statement in the year in which it is incurred.

x Componentisation

Component accounting applies prospectively from 1 April 2010. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (ie as if each component were a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

The annual valuation exercise that is carried out by the Authority revalues 20% of the Council's assets each year. Componentisation is therefore also carried out on these assets at the time of valuation. It will therefore take four further years (until 31/03/2015) for all the Authority's assets to be componentised.

xi Component derecognition

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles set out in accounting policy 23(i) and 23(ix).

This includes the derecognition of parts of an asset not previously recognised as a separate component, the componentisation of which has been triggered by the replacement or restoration.

xii Residual values

DCC does not use residual values in its asset accounting or depreciation calculations. The accounting policy is to depreciate the full cost of the asset over the useful economic life.

24 DONATED ASSETS

Donated assets, transferred to the Authority for nil consideration, are recognised immediately at fair value as assets on the balance sheet. The asset is recognised in the Comprehensive Income & Expenditure Statement as income unless the transfer has a condition that the Authority has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income & Expenditure Statement once the condition has been met.

Donated assets are valued, depreciated and impaired in accordance with the accounting policies for other fixed assets.

25 VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT is recoverable from them.

26 INVESTMENT PROPERTY

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(i) use in the production or supply of goods or services or for administrative purposes, or

(ii) sale in the ordinary course of operations.

Investment property is recorded in the Balance Sheet at fair value.

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account.

Dorset County Council has no Investment Property at the Balance Sheet date

27 SURPLUS ASSETS

Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale are classified as Surplus Assets within Property, Plant and Equipment.

28 ASSETS HELD FOR SALE

The following conditions must be met for an asset (or disposal group) to be classified as held for sale:

(i) management is committed to a plan to sell the asset

(ii) the asset is available for immediate sale

(iii) an active programme to locate a buyer has been initiated

(iv) the sale is highly probable within 12 months

(v) the asset is being actively marketed with a sales price which is reasonable to its fair value

(vi) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Assets held for sale are valued at the lower of their carrying value and fair value less costs to sell. Where the carrying amount is lower, this will lead to a different valuation when compared to the valuation under the SORP which required the asset to be measured at market value less expected selling costs. This change in accounting policy will potentially result in more gains being recognised in the Comprehensive Income and Expenditure Statement.

Details of assets held for sale are disclosed in note 35.

Assets classified as held for sale are not depreciated (or amortised in relation to intangible assets). This is a change in accounting policy as the SORP stated that assets held for sale were not exempt from depreciation.

A gain for any subsequent increase in fair value less costs to sell of an asset, is recognised in the Surplus or Deficit on the Provision of Services to the extent that it is not in excess of the cumulative impairment loss that has already been recognised.

Any initial or subsequent decrease to fair value less costs to sell following classification as an asset held for sale, is recognised in the Surplus or Deficit on the Provision of Services (even where there is balance on the Revaluation Reserve). This is a change in accounting policy as the SORP required impairment or revaluation losses to be recognised in the Revaluation Reserve.

29 ACQUIRED AND DISCONTINUED OPERATIONS

Activities are considered to be acquired only if they are acquired from outside the Public Sector. The Code does not include local government reorganisation since any ‘machinery of government’ changes are neither acquired nor discontinued operations.

Activities are deemed to be discontinuing only if they are transferring outside of the Public Sector, or if they are ceasing completely.

Notwithstanding this, there are notes in the accounts about schools which have achieved/plan to achieve Academy status in 2011/12. There is also information about the establishment of the Dorset Waste Partnership.

30 SHORT-TERM EMPLOYEE BENEFITS

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services.

31 CASH & CASH EQUIVALENTS

Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

32 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the entity’s accounting policies are disclosed in the individual notes to the accounts, where appropriate.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

i Asset lives

The age and remaining lives of buildings and their elements have been advised by the Authority's Valuer and assessed as at the valuation date. Asset lives have been provided based on the assumption that building elements will continue to be maintained normally over the period from the date of inspection to the valuation date and that there will be no untoward changes.

ii Provisions

Provisions are made for known about ‘live cases’ which are still ongoing under the review and appeal processes. Provisions are made based on a list of the known cases as at 31 March each year.

iii Other

All other key sources of estimation and uncertainty are disclosed as appropriate within the notes to the Financial Statements.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10 (Restated) Net Spending £'000	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	2010/11 Gross Spending £'000	Income £'000	Specific Grants £'000	Net Spending £'000
	Adult Social Care				
619	Service Strategy	3,980	1,177	2,211	592
64,194	Older people including older mentally ill	89,211	20,283	885	68,043
12,205	Adults with a physical disability or sensory impairment	12,484	688	-	11,796
28,830	Adults with learning disabilities	39,378	1,174	1,176	37,028
2,719	Adults with mental health needs	6,917	491	-	6,426
1,108	Other Adult Services	3,015	256	103	2,656
428	Supported Employment	600	194	378	28
	Central Services				
2,668	Democratic Representation and Management	2,453	2	-	2,451
(5,488)	Corporate Management	36,121	23,518	7,814	4,789
2,002	Non Distributed Costs	(68,898)	145	344	(69,387)
	Central Services to the Public				
358	Registrars	859	557	-	302
309	Elections	(57)	-	-	(57)
429	Emergency Planning	452	156	-	296
	Children's & Education Services				
94,089	Primary Schools - Delegated Budgets	108,290	8,256	821	99,213
(22,985)	Primary Schools - LEA Expenditure	3,991	363	24,061	(20,433)
142,311	Secondary Schools - Delegated Budgets	165,518	11,519	3,704	150,295
(38,000)	Secondary Schools - LEA Expenditure	7,860	463	45,255	(37,858)
11,220	Special Schools - Delegated Budgets	12,993	951	101	11,941
(1,405)	Special Schools - LEA Expenditure	153	-	1,269	(1,116)
(205,848)	Dedicated Schools Grant	-	-	213,678	(213,678)
10,648	Strategic Management of non-school services	7,196	1,704	1,481	4,011
7,841	Pre-school Education	10,284	62	2,439	7,783
3,789	Youth Services	4,228	760	195	3,273
319	Adult & Community Learning	3,843	1,062	1,760	1,021
686	Student Support	391	-	118	273
41,826	Other non-school funding	59,425	7,942	6,326	45,157
955	Service Strategy (Children's Social Care)	1,020	128	347	545
13,294	Children's Services - commissioning	16,384	858	902	14,624
10,284	Children looked after	11,196	313	412	10,471
2,854	Family support services	14,253	707	6,974	6,572
963	Youth Justice	2,241	212	1,027	1,002
3,560	Other children's & families' services	14,463	7,745	2,424	4,294
	Court Services				
730	Coroners	722	-	-	722
	Cultural, Environmental, Regulatory & Planning Services				
1,273	Culture and Heritage	2,182	731	210	1,241
109	Recreation and Sport	610	11	562	37
1,897	Open Spaces	2,494	485	134	1,875
72	Tourism	218	243	-	(25)
8,029	Library Service	7,797	891	301	6,605
492	Community Safety (Safety Services)	704	28	112	564
559	Agriculture & Fisheries Services	800	656	-	144
1,514	Trading Standards	1,934	87	121	1,726
11,969	Waste Disposal	12,544	(87)	(4)	12,635
2,873	Recycling	3,851	1,616	-	2,235
673	Development Control	5,547	4,889	17	641
1,167	Planning Policy	1,775	262	150	1,363
1,019	Environmental Initiatives	5,584	1,094	4,218	272
586	Economic Development	640	118	156	366
1,548	Community Development	1,664	130	-	1,534

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10 (Restated) Net Spending £'000	Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations	2010/11 Gross Spending £'000	Income £'000	Specific Grants £'000	Net Spending £'000
	Highways and Transport Services				
1,786	Transport Planning, Policy and Strategy	2,229	150	-	2,079
(17)	Structural Maintenance	68	62	-	6
11,538	Capital Charges for construction projects	9,030	35	-	8,995
13,762	Environment, Safety & Routine Maintenance	14,344	1,707	110	12,527
(4,849)	Street Lighting (including energy costs)	4,565	1,861	2,546	158
2,096	Winter Service	2,119	33	-	2,086
4,793	Traffic Management & Road Safety	4,073	157	127	3,789
158	Parking Services	932	795	-	137
3,725	Public Transport	9,843	6,194	-	3,649
	Housing Services				
370	Gypsy Sites / Affordable Housing	598	190	70	338
	Service Transferred				
254,654	**Deficit on Provision of Services**	667,111	114,024	335,035	218,052
	Other Operating Income & Expenditure				
(2,372)	Net (gain)/loss on disposal of non-current assets	75	(153)	-	228
604	Levies and Precepts	624	-	-	624
(2,447)	Net trading account deficit / (surplus)	34,041	34,398	-	(357)
274	Exceptional item - Impairment re Icelandic Banks	127	-	-	127
	Financing & Investment Income & Expenditure				
6,156	Interest Payable	5,600	-	-	5,600
(3,899)	Interest and Investment Income	(2,476)	-	-	(2,476)
15,085	Pensions Interest Cost & Expected	19,671	-	-	19,671
268,055	**Net Operating Expenditure**	724,773	148,269	335,035	241,469
	Taxation & Non-Specific Grant Income				
(8,894)	Revenue Support Grant				(6,435)
(38,534)	National Non-Domestic Rates				(44,316)
(195,425)	Council Tax				(202,357)
(16,992)	Area Based Grant				(23,671)
(66,166)	Capital Grants				(51,166)
(326,011)	**Total Finance**				(327,945)
(57,956)	**(Surplus)/Deficit for the year**				(86,476)
(18,121)	Revaluation Losses/(Gains)				(27,919)
6,317	Prior Year Adj PFI Schemes				-
(1,965)	Prior Year Adj Collection Fund Adjustment Account				-
235,025	Actuarial loss (gain) on Pension Fund Assets & Liabilities				(106,021)
163,300	**Net Comprehensive (Income)/Expenditure**				(220,416)

BALANCE SHEET

31 March 2009 (Restated) £'000	31 March 2009 (Restated) £'000	31 March 2010 (Restated) £'000	31 March 2010 (Restated) £'000		Note	**31 March 2011 £'000**	**31 March 2011 £'000**
5,603		3,595		**Intangible Assets**		**3,535**	
				Tangible Fixed Assets			
				Operational Assets			
550,918		554,539		Land and Buildings		**586,183**	
12,079		8,582		Vehicles, Plant, Furniture & Equipment		**15,553**	
183,445		194,500		Infrastructure Assets (e.g. highways)		**286,271**	
3,393		3,532		Community Assets (e.g. country parks)		**4,046**	
				Non-operational Assets			
18,885		84,093		Assets under construction		**74,424**	
7,174		6,290		Surplus Assets		**1,869**	
	781,497		855,131		*22, 29, 30*		**971,881**
	25,000		20,000	**Long term Investments**	*31*		**17,500**
	5,063		5,216	**Long term Debtors**	*32*		**4,056**
	811,560		880,347				**993,437**
				Current Assets			
863		994		Inventories	*33*	**527**	
54,750		67,667		Debtors and Payments in Advance	*34*	**46,763**	
35,280		31,398		Temporary Investments	*31*	**31,782**	
-		-		Assets held for sale	*35*	**2,829**	
60,203		43,688		Cash	*36*	**42,387**	
151,096		143,747				**124,288**	
				Current Liabilities			
592		620		Short Term Borrowing	*37*	**15,650**	
69,124		64,052		Creditors and Receipts in Advance	*38*	**63,876**	
3,456		3,478		Provisions	*39*	**3,592**	
17,207		27,589		Bank Overdrawn	*36*	**23,282**	
90,379		95,739				**106,400**	
	60,717		48,008	**Net Current Assets**			**17,888**
	872,277		928,355	**Total Assets less Current Liabilities**			**1,011,325**
	(163,235)		(142,615)	Long Term Borrowing	*37*		**(146,965)**
	(22,068)		(28,661)	Long Term PFI Liability	*11*		**(37,190)**
	-		-	Other Long-Term Liabilities	*41*		**(308)**
	(5,522)		(4,829)	Obligations Under Finance Leases	*12*		**(4,265)**
	(207,878)		(455,002)	Pensions Asset / (Liability)	*24*		**(304,932)**
	473,574		297,248	**TOTAL NET ASSETS/(LIABILITIES)**			**517,665**
				Financed by :-			
	534,455		567,802	Capital Adjustment Account	*43*		**608,112**
	1,010		1,684	Collection Fund Adjustment Account	*44*		**2,037**
	(7,938)		(9,921)	Accumulated Absences Account	*45*		**(8,594)**
	5,204		12,575	Capital Grants Unapplied Account	*46*		**15,673**
	50,651		65,860	Revaluation Reserve	*47*		**90,513**
	1,008		1,246	Financial Instrument Adjustment Acc't	*48*		**1,408**
	9,213		9,934	Usable Capital Receipts Reserve	*49*		**11,215**
	(207,878)		(455,002)	Pensions Reserve	*24*		**(304,932)**
	61,669		81,253	Earmarked Reserves	*50*		**71,868**
	26,180		21,817	General Fund Balance	*51, 52*		**30,365**
	473,574		297,248				**517,665**

The Balance Sheet is a record of the financial position of the County Council at 31 March 2011. Figures relating to the Dorset County Pension Fund are excluded, as are Trust Fund balances. The summarised accounts for both of these are set out in separate statements later in this document. Detailed notes supporting the Balance Sheet are shown later in this document.

STATEMENT OF MOVEMENTS IN RESERVES

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Accumulated Absences Account	Financial Instrument Adjustment Account	Change in Total Unusable Reserves	Change in Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2009 (restated)	(26,181)	(61,669)	(9,213)	(5,204)	(102,267)	(1,010)	(50,651)	207,878	(534,454)	7,938	(1,008)	(371,307)	(473,574)
Movement in reserves during 2009/10													
(Surplus)/deficit on Provision of Services	(57,956)				(57,956)	1,966			11,058			13,024	(44,932)
													0
Depreciation & Impairment of Fixed Assets	(55,352)				(55,352)		5,369		49,983			55,352	0
Amounts treated as revenue expenditure in accordance with the SORP, but classified as capital expenditure by statute (restated)	(10,000)				(10,000)				10,000			10,000	0
Net gain/(loss) on disposal of fixed assets	2,372		(766)		1,606				(1,606)			(1,606)	0
Soft loan interest adjustment	204				204						(204)	(204)	0
Net charges for pensions in accordance with FRS17	(39,328)				(39,328)			39,328				39,328	0
Collection Fund Adjustment Account	675				675	(675)						(675)	0
Statutory provision for repayment of debt	14,829				14,829				(14,829)			(14,829)	0
Capital Expenditure charged to the General Fund Balance	37,967				37,967				(37,967)			(37,967)	0
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	27,229				27,229			(27,229)				(27,229)	0
Transfer to Capital Grants Unapplied Reserves	66,166			(66,166)	0							0	0
Usable Capital Receipts funding revenue income from finance leases	(45)		45		0							0	0
Transfer from Capital Grants Unapplied to CAA				58,795	58,795				(58,795)			(58,795)	0
Transfer to/from Accumulated Absences Account	(1,983)				(1,983)					1,983		1,983	0
Net transfer to / (from) Earmarked Reserves	19,584	(19,584)			0							0	0
Other Comprehensive Income & Expenditure													
Revaluation Losses/(Gains)							(20,578)		2,491		(34)	(18,121)	(18,121)
Prior Year Adj PFI Schemes									6,317			6,317	6,317
Prior Year Adj Collection Fund Adjustment Account						(1,965)						(1,965)	(1,965)
Actuarial loss on Pension Fund Assets & Liabilities								235,025				235,025	235,025
Balance as at 31 March 2010 (restated)	(21,817)	(81,253)	(9,934)	(12,575)	(125,579)	(1,684)	(65,860)	455,002	(567,802)	9,921	(1,246)	(171,669)	(297,248)

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Collection Fund Adjustment Account	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Accumulated Absences Account	Financial Instrument Adjustment Account	Change in Total Unusable Reserves	Change in Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2010 (restated)	(21,817)	(81,253)	(9,934)	(12,575)	(125,579)	(1,684)	(65,860)	455,002	(567,802)	9,921	(1,246)	(171,669)	(297,248)
Movement in reserves during 2010/11													
(Surplus)/deficit on Provision of Services	(86,476)				(86,476)							0	(86,476)
													0
Depreciation & Impairment of Fixed Assets	(30,434)				(30,434)		3,202		27,232			30,434	0
Amounts treated as revenue expenditure in accordance with the SORP, but classified as capital expenditure by statute	(10,568)				(10,568)				10,568			10,568	0
Net gain/(loss) on disposal of fixed assets	(228)		(2,283)		(2,511)		64		2,447			2,511	0
Soft loan interest adjustment	162				162						(162)	(162)	0
Net charges for pensions in accordance with FRS17	15,403				15,403			(15,403)				(15,403)	0
Collection Fund Adjustment Account	353				353	(353)						(353)	0
Statutory provision for repayment of debt	11,861				11,861				(11,861)			(11,861)	0
Capital Expenditure charged to the General Fund Balance	0				0				0			0	0
Employer's contributions payable to the Dorset County Pension Fund and amounts payable direct to pensioners.	28,646				28,646			(28,646)				(28,646)	0
Transfer to Capital Grants Unapplied Reserves	51,166			(51,166)	0							0	0
Usable Capital Receipts funding revenue income from finance leases	(48)		48		0							0	0
Transfer from Capital Grants Unapplied to CAA				67,743	67,743				(67,743)			(67,743)	0
Transfer to/from Accumulated Absences Account	1,327				1,327					(1,327)		(1,327)	0
Net transfer to / (from) Earmarked Reserves	(9,385)	9,385			0							0	0
Use of Capital Receipts for Financing			954		954				(954)			(954)	0
Interest on Developer Contributions	12			(12)	0								
Reclassifications between Capital Reserves and Revenue Reserves	19,662			(19,662)	0							0	0
Other Comprehensive Income & Expenditure													
Revaluation Losses/(Gains)							(27,919)					(27,919)	(27,919)
Actuarial loss on Pension Fund Assets & Liabilities								(106,021)				(106,021)	(106,021)
Balance as at 31 March 2011	(30,365)	(71,868)	(11,215)	(15,673)	(129,121)	(2,037)	(90,513)	304,932	(608,112)	8,594	(1,408)	(388,544)	(517,665)

CASH FLOW STATEMENT

2009/10 (Restated) £'000	2009/10 (Restated) £'000		Note	2010/11 £'000	2010/11 £'000
		Operating Activities			
		Expenditure			
360,077		Cash Paid to or on behalf of employees		**358,004**	
317,761		Other operating costs		**383,598**	
	677,838				**741,602**
		Income			
194,751		Precept - Council Tax		**202,005**	
8,894		Revenue Support Grant		**6,435**	
16,992		Area Based Grant		**23,671**	
38,534		National Non Domestic Rates		**44,316**	
330,240		Other Government Grants	*14*	**335,033**	
118,760		Cash Received for goods and services		**172,686**	
	708,171				**784,498**
	30,333	**Net cash inflow / (outflow)**			**42,896**
		Servicing of Finance			
		Expenditure			
7,109		Interest paid		**1,082**	
		Income			
3,623		Interest received		**4,169**	
	(3,486)	**Net cash inflow / (outflow)**			**3,087**
		Investing Activities			
		Expenditure			
147,561		Purchase of fixed assets/capital repayments		**124,553**	
		Income			
3,674		Sale of fixed assets		**1,281**	
66,166		Capital grants and contributions received		**51,288**	
	(77,720)	**Net cash inflow / (outflow)**			**(71,984)**
	(50,873)	**Net cash inflow / (outflow) before financing**			**(26,001)**
		Management of Liquid Resources			
(4,704)		Short term lending		**(98)**	
8,823		Short term lending repaid		**(286)**	
		Financing			
620		New Short term borrowing		**15,650**	
(592)		Short term borrowing repaid		**(620)**	
5,000		Movement in Long Term Investments		**2,500**	
14,829		Movement in Long Term Borrowing		**11,861**	
	23,976	**Net cash inflow / (outflow)**			**29,007**
	(26,897)	**Net increase / (decrease) in cash**			**3,006**

1. Transition to International Financial Reporting Standards (IFRS)

The Financial Statements for the year ending 31 March 2011 are the first to be prepared on an IFRS-basis. Adoption of the IFRS-based Code of Practice on Local Authority Accounting (the Code) has resulted in the restatement of various balances and transactions, with the result that some amounts presented are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following notes, narrative and tables explain the material differences between the amounts presented in the 2009/10 Financial Statements and the equivalent amounts presented in the 2010/11 Statements.

The tables at Appendices 1 and 2 to these notes also provide a full reconciliation of the previously published opening and closing balance sheets and those restated in these accounts.

(a) ***Short-term accumulating compensated absences***

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant of these is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future, compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean Local Authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the *Accumulated Absences Account* until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the Financial Statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Provision for accumulated absences	0	(7,938)
Accumulated Absences Account	0	7,938

31 March 2010 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Provision for accumulated absences	0	(9,921)
Accumulated Absences Account	0	9,921

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (net):

	2009/10 Statements £'000	Adjustments Made £'000
Adult Social Care	112,152	4
Central Services/& to the Public	8,243	9
Children's Services	85,171	1,964
Cultural, Environmental, Regulatory & Planning	33,651	5
Highways & Transport Services	32,951	1
Housing	317	0
Net cost of services	272,485	1,983

(b) ***Leases***

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease was accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease, where it was previously treated as a finance lease, or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the code.

Additional information about the Authority's processes and policies for dealing with leases is shown in the *Accounting Policies* section of these Financial Statements.

The Authority has 6 properties where the accounting treatment has changed as a result of the introduction of the Code. The buildings elements of these properties are now accounted for as finance leases; they were previously accounted for as operating leases.

As a consequence of reclassifying these elements, the following adjustments have been made to the Financial Statements:

(i) the Authority has recognised assets (the buildings) and finance lease liabilities

(ii) the operating leases charges in the Comprehensive Income & Expenditure Statement have been reduced by the amounts that relate to the buildings element of the lease payments

(iii) a depreciation charge has been calculated and included

(iv) the depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheet as at 1 April 2009 and 31 March 2010 and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year

(v) the interest element of the lease payment in respect of the buildings element is charged to the relevant service line in the Comprehensive Income & Expenditure Statement.

This has resulted in the following changes being made to the 2009/10 Financial Statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £'000	**Adjustments Made £'000**
Property, plant & equipment (leased assets)	0	4,868
Long-term debtors - interest in finance leases	0	389
Other long-term liabilities (finance leases)	0	(5,522)
Capital adjustment account	(339,283)	(145)
Usable Capital Receipts Reserve	(9,623)	410

31 March 2010 Balance Sheet:

	2009/10 Statements £'000	**Adjustments Made £'000**
Property, plant & equipment (leased assets)	0	4,145
Long-term debtors - interest in finance leases	0	344
Other long-term liabilities (finance leases)	0	(4,830)
Capital adjustment account	(328,064)	(114)
Usable Capital Receipts Reserve	(10,389)	455

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (net):

	2009/10 Statements £'000	**Adjustments Made £'000**
Adult Social Care	112,152	63
Central Services/& to the Public	8,243	(4)
Children's Services	85,171	0
Cultural, Environmental, Regulatory & Planning	33,651	0
Highways & Transport Services	32,951	29
Housing	317	0
	272,485	88

The net change to the cost of services consists of the removal of the operating lease charge for the buildings element of the leases and the inclusion of the depreciation charge.

The net increase in the Surplus or Deficit on the Provision of Services, is removed by the transfer of the depreciation charge to the capital adjustment account. This transfer is shown in the Statement of Movement in Reserves.

The properties which have been reclassified as a result of this process are:

Where Dorset County Council is lessor:
St Martin's EPH, Gillingham
Mount Pleasant EPH, Weymouth
Queensmead EPH, Christchurch

Where Dorset County Council is lessee:
Dorset Passenger Transport Depot, Old Radio Station, Dorchester
Adult & Community Services Area Office, Weymouth
Top of Town House, Dorchester

(c) Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a deferred income account and recognised as income over the life of the assets which they were to fund.

As a consequence of adopting the accounting policy required by the Code, the Financial Statements have been amended as follows:

(i) the balance on the Government grants deferred account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet

(ii) portions of Government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income & Expenditure Statement in the comparative figures

Under the Code, revenue grants and contributions are also all recognised as income when they become receivable. Previously revenue grants and contributions were held in a deferred income account and matched with expenditure in the Income & Expenditure Account on an accruals basis.

Under the Code, any unspent portion of revenue grants remaining at 31 March is transferred to an earmarked reserve. A transfer back to the Comprehensive Income and Expenditure Statement is then made in subsequent years to match grants/contributions with the costs they were intended to support.

This has resulted in the following changes being made to the 2009/10 Financial Statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Deferred income (creditors)	(99,724)	38,538
Capital grants deferred	(60,782)	60,782
Capital Adjustment Account	(339,283)	(60,782)
Capital Grants Unapplied Account	0	(5,204)
Earmarked reserves	(28,335)	(33,334)

31 March 2010 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Deferred income (creditors)	(123,075)	68,944
Capital grants deferred	(105,379)	105,379
Capital Adjustment Account	(328,064)	(105,379)
Capital Grants Unapplied Account	0	(12,575)
Earmarked reserves	(24,633)	(56,369)

(d) Provisions

Provisions under the SORP were classified as long-term liabilities. Under the Code, provisions are presented on the face of the Balance Sheet as either current or non-current liabilities. An examination of Dorset County Council's provisions has confirmed that they are all current liabilities.

The review of the provisions that was carried out, also revealed that during 2009/10, a provision of £240k was made, which should actually have been transferred to the Insurance Reserve. This amount has been corrected in the restated 2009/10 Comprehensive Income & Expenditure Statement and the 31 March 2010 Balance Sheet as follows:

31 March 2009 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Provisions (non-current liabilities)	(3,456)	3,456
Provisions (current liabilities)	0	(3,456)

31 March 2010 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Provisions (non-current liabilities)	(3,718)	3,718
Provisions (current liabilities)	0	(3,478)
Earmarked reserves	(24,633)	(240)

2. Accounting standards that have been issued but not yet adopted

The only accounting policy change that needs to be reported relates to Financial Reporting Standard 30, Heritage Assets. When this standard comes into effect for Local Authorities, it will require the separate identification and treatment of assets held by the Authority which are classified as Heritage Assets, ie those which have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

3. Related party transactions

Central Government

Significant central government grants are received from the Department for Education, the Department for Communities & Local Government and the Department of Health. Other Government Departments provide smaller levels of grant. They are detailed in the 'Specific Grants' column of the Income and Expenditure Account on Pages 29 and 30 and Note 14 below.

Other Local Authorities and Bodies levying demands on the council tax

Levies paid to other bodies during 2010/11 included the following material transactions: -

2009/10 £'000		**2010/11 £'000**
519	Environment Agency	**533**
85	Southern Sea Fisheries Committee	**91**

The County Council administers the Dorset County Pension Fund on behalf of its employees and those of other local authorities in the county and other 'admitted bodies' (charities or former local authority bodies such as Housing Associations). Employers' Contributions to the Fund are shown in the pension fund accounts on pages 59 and 60.

Transactions with Bournemouth and Poole Borough Councils, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in Note 25.

The Head of Legal & Democratic Services was Clerk to Dorset Fire Authority. The Chief Financial Officer was Treasurer to Dorset Fire Authority and the Head of Accountancy Support was Treasurer to Dorset Police Authority. The County Council supplied support services to these authorities as detailed in the following table.

2009/10 £'000		**2010/11 £'000**
1,373	Dorset Police Authority	**1,175**
1,025	Dorset Fire Authority	**1,265**

At the end of the financial year, amounts owed by related parties were as follows: -

2009/10 £'000		**2010/11 £'000**
129	Dorset Police Authority (Capital Financing)	**129**
314	Dorset Police Authority	**183**
242	Dorset Fire Authority	**255**
685		**567**

Elected Members, Staff & close families

All Members, Senior Officers and purchasing staff have been informed of the requirements and the need for disclosure. Some Members are appointed by the County Council to boards of voluntary bodies or charities in receipt of support from the County Council. The Chief Executive, on a voluntary basis and with the agreement of the County Council, is a member of the board of the Bournemouth Symphony Orchestra, which received grant of £62,400 from the County Council (2009/10 = £61,800).

4. Disclosure of nature and extent of risk arising from financial instruments

The County Council's activities expose it to a variety of financial risks, the key risks are:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways: -

by formally adopting the requirements of the Code of Practice;

by approving annually in advance prudential indicators for the following three years limiting:

The Council's overall borrowing;

Its maximum and minimum exposures to fixed and variable rates;

- Its maximum and minimum for exposures the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £28.1m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2010 was £15M.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the investment team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

5. Events after the Balance Sheet date

There were no events after the Balance Sheet date that require adjustment or disclosure in these Financial Statements.

6. Acquired & discontinued operations

There were no acquired or discontinued operations in the year that require disclosure. However, in the interests of openness, the following information about business changes is included.

On 1 April 2011, the Authority entered into a partnership arrangement with four of the District Councils, to form the Dorset Waste Partnership (DWP). This saw the Authority take on the net assets of each of the four Districts' Waste Collection Services, and assume responsibility for the employment of around 155 staff transferring under TUPE regulations, from the Districts.

Summary financial information about each of the Members of the partnership is shown below.

Member	Total transferring to DWP from Districts £'000	Capital Budget £'000
Purbeck District Council	1,082	0
Christchurch Borough Council	1,103	702
North Dorset District Council	1,416	1,253
East Dorset District Council	1,769	0
Total transferring to DWP from Districts	5,370	1,955
Transfer from DCC Waste Management to DWP	15,444	2,030
Total value of Partnership	20,814	3,985

The Authority also received notification from the following Schools, that they intend to be established as Academies under the Academies Act 2010. The amounts shown are the values of the schools balances in the Authority's General Fund as at 31/03/2011. Note 51 provides further analysis of the General Fund, in particular as it relates to Schools.

The Twynham School - from 1 April 2011 (£82,795)
The Thomas Hardye School - from 1 July 2011 (£178,998 overspend)
Highcliffe School - from 1 July 2011 (£32,953)

When a School achieves Academy status, it legally closes as a Local Authority School and is immediately re-established as a separate legal entity.
When an Academy is established, it is funded directly by the Government, through distribution of General Annual Grant from the Young People's Learning Agency. A calculation to determine the value of any School balances in the Local Authority's accounts must be completed within three months of the transfer date. The Academy then has one month in which to appeal to the Secretary of State for a review if it disagrees with the calculated balance. The Secretary of State has three months in which to make a determination of the actual balance. The Local Authority must pay over any surplus balance to the Academy within one month of the Academy agreeing the surplus balance (or failing to apply for a review by the statutory date) or the determination of the surplus by the Secretary of State.
Where the transferring School has a deficit balance, the Government reimburses the Local Authority for this.

7. Prior year adjustments

There were no prior year adjustments requiring disclosure in the accounts that have not already been set out in note 1, transition to IFRS, and in the relevant Appendices to these Financial Statements, or in the appropriate Notes to the Financial Statements.

8. Exceptional items

There is an exceptional item in the accounts for 2010/11 (and in the preceding two years), due to the collapse of Icelandic banks. This resulted in an impairment of £7.2m in 2008/09, a further £0.274m in 2009/10, and an additional £0.127m in 2010/11. For further details see Note 31.

9. Segmental Analysis

The IFRS-based Code requires Local Authorities to report segmentally on their income and expenditure. The code requires this to be presented in a format which is similar to the internal management accounts used by the Authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement.

	2010/11							2009/10
	Adult & Community Services	**Cabinet**	**Children's Services**	**Corporate Resources**	**Environment**	**Partnerships (DCC Leads)**	**Total**	Total (restated)
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Authority (Democratic) Costs	0	0	0	772	0	0	**772**	780
Pay Related Costs	54,151	4,381	254,287	20,180	20,149	1,311	**354,459**	359,734
Premises Related Costs	4,941	476	35,749	3,384	6,258	67	**50,875**	35,745
Transport Related Costs	2,150	30	4,911	3,484	13,976	24	**24,575**	28,515
Supplies and Service	14,022	2,845	83,770	6,220	26,517	14,669	**148,043**	125,843
Transfer Payments	13,806	171	664	0	1,176	749	**16,566**	13,640
Levies & Precepts	0	0	0	0	0	0	**-**	(7)
Third Party Payments	68,347	561	10,627	426	21,756	3,625	**105,342**	114,997
Net Schools Budget adjs	0	0	245	0	0	0	**245**	(5,070)
Cost Centre Balances	0	0	105	0	0	0	**105**	1
Government Grants	(7,826)	(386)	(309,870)	0	(7,565)	(9,386)	**(335,033)**	(330,241)
Reimbursements and Contributions	(8,413)	(1,137)	(22,898)	(4,448)	(13,163)	(6,838)	**(56,897)**	(52,074)
Fees and Charges	(19,368)	(146)	(12,429)	(13,361)	(10,675)	(1,059)	**(57,038)**	(83,614)
Corporate Income & Expenditure	0	0	(2,800)	(50)	0	(76)	**(2,926)**	(2,124)
Funding	0	0	0	0	0	0	**-**	0
Transfers to/(from) Reserves	(29)	0	(106)	508	(19)	(7)	**347**	1,457
Reported in Management Accounts	**121,781**	**6,795**	**42,255**	**17,115**	**58,410**	**3,079**	**249,435**	207,582
Recharges	13,432	(73,900)	30,162	(15,070)	(15,836)	0	**(61,212)**	769
Capital Charges	2,952	921	14,263	735	10,958	0	**29,829**	46,303
Net Cost of Services	**138,165**	**(66,184)**	**86,680**	**2,780**	**53,532**	**3,079**	**218,052**	254,654

The table above, shows the net cost of services as £218.052M; the same as reported on the corresponding line in the Comprehensive Income and Expenditure Statement. The line marked reported in management accounts reflects the figures that the County's Management Team review on a monthly basis to monitor the Authority's financial performance.

10. Comparison of outturn with budget

The Comprehensive Income & Expenditure Statement and the movements on the General Fund are further analysed against budget in the table below.

2009/10 (Restated) Net Spending £'000	Service Division	2010/11 Original Estimate £'000	Final Estimate £'000	Net Spending £'000	Variance ( ) = over £'000
110,103	Adult Social Care	119,972	124,182	126,569	(2,387)
(818)	Central Services	5,987	(60,928)	(62,147)	1,219
1,096	Central Services to the Public	637	681	541	140
(20,618)	Children's & Education Services - Schools	23,202	(6,349)	(11,636)	5,287
97,019	Children's & Education Services - Other	87,829	91,018	99,026	(8,008)
730	Court Services	745	757	722	35
33,780	Cultural, Environmental & Planning Services	34,030	33,278	31,213	2,065
32,992	Highways, Roads and Transport Services	34,557	32,699	33,426	(727)
370	Housing Services	339	345	338	7
254,654	**Net Cost of Services**	307,298	215,683	218,052	(2,369)
(2,372)	Net (gain) / loss on disposal of fixed assets	-	228	228	-
604	Levies and Precepts	632	632	624	8
(2,447)	Net trading account deficit / (surplus)	-	888	(357)	1,245
6,156	Interest payable	9,725	8,951	5,600	3,351
(3,899)	Interest on Balances	(1,887)	(1,380)	(2,476)	1,096
15,085	Pensions Interest Cost	-	19,671	19,671	-
274	Exceptional item; Impairment Icelandic Banks	-	-	127	(127)
268,055	**Net Operating Expenditure**	315,768	244,673	241,469	3,204
	Principal Sources of Finance :-				
(8,894)	Revenue Support Grant	6,435	6,435	6,435	-
(38,534)	National Non-Domestic Rates	44,316	44,316	44,316	-
(195,425)	Precept (Council Tax)	202,005	202,005	202,357	352
(16,992)	Area Based Grant	25,648	23,670	23,671	1
(66,166)	Capital Grants	-	51,067	51,166	99
(326,011)	**Total Funding**	(278,404)	(327,493)	(327,945)	452
(57,956)	**NET GENERAL FUND (SURPLUS)/DEFICIT**	37,364	(82,820)	(86,476)	3,656
(55,352)	Depreciation and impairment of fixed assets	(69,839)	(30,433)	(30,434)	1
(10,000)	REFCUS	-	(10,568)	(10,568)	-
2,372	Net gain or (loss) on disposal of fixed assets	-	(228)	(228)	-
204	Soft Loan Interest Adjustment	-	162	162	-
(12,099)	Appropriations to/(from) Pensions Reserve	15,403	44,049	44,049	-
675	Collection Fund Adjustment Account	-	-	353	(353)
14,829	Statutory provision for repayment of debt	8,521	12,863	11,861	1,002
37,967	Capital charged to the General Fund Balance	10,836	8,770	-	8,770
66,166	Transfer to Capital Grants Unapplied Reserve	-	51,067	51,165	(98)
(45)	Usable Capital Receipts for finance leases	-	(48)	(48)	-
-	Reclassification between capital and revenue	-	-	19,662	(19,662)
(1,983)	Accumulated Absences Account Transfers	-	1,327	1,327	-
-	Interest on Developer Contributions			12	(12)
19,586	Transfers to / (from) Specific Reserves	(1,247)	(3,677)	(9,385)	5,708
4,364	Reduction/(Increase) in General Balances	1,038	(9,536)	(8,548)	(988)

The Council monitors expenditure as part of its comprehensive performance management framework. This provides for monthly reporting of projected out-turn against budget for all cost centres and in addition detailed reporting of the 'Top 20' identified vulnerable and demand led budgets. This information is available to members and managers via the Council's intranet. The final out-turn figures are reported to the Performance Overview Committee for scrutiny and overview.

11. Long-term contracts (Private Finance Initiative)

In 1997 a contract was entered into for the replacement of Colfox School, Bridport using the Government's Private Finance Initiative (PFI). The contract provides for fully serviced accommodation for the school including buildings, grounds maintenance, catering, caretaking, security, waste disposal, energy, utilities, IT equipment and renewal of furniture and equipment. Payments under the contract commenced in 1999 and continue for a 30-year period. Initial guidance issued by Central Government Departments and CIPFA was that the property was regarded as an asset of the PFI provider and accordingly was not recorded on the County Council's Balance Sheet. However, SORP 2009 reflected the move toward International Financial Reporting Standards and the asset was brought back onto the Authority's Balance Sheet from 1 April 2009.

Payments are adjusted annually by the Government's GDP deflator and subject to deductions where performance does not meet agreed standards.

Payments this year were £2.5m and these were offset by Government specific grant for PFI of £1.6m. This was the first secondary school nationally to be funded through the PFI arrangements.

In 2009, the County Council also entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years from 2006. Payments this year were £3.2m offset by Government specific grant for PFI of £2.5m. An additional £1.4m was paid to the contractor for energy. Street lighting assets were also brought back onto the Balance Sheet from 1 April 2009

12. Leases (all 2009/10 comparative information is restated)
Dorset County Council accounts for leases in accordance with the Accounting Policies set out in this document.
Specific information for leases is as follows:

Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Cost	4,822	2,757
Cumulative depreciation	(2,212)	(500)
Carrying amount as at 01/04/2009	2,610	2,257
New finance leases	0	0
Depreciation charge	(640)	(84)
Carrying amount as at 31/03/2010	**1,970**	**2,173**
New finance leases	**104**	**0**
Depreciation charge	**(597)**	**(84)**
Carrying amount as at 31/03/2011	**1,477**	**2,089**

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Liability	(4,822)	(2,757)
Capital repayment	1,883	174
Carrying amount as at 01/04/2009	(2,939)	(2,583)
Liabilities added	0	0
Capital repayment	654	39
Carrying amount as at 31/03/2010	**(2,285)**	**(2,544)**
Liabilities added	**(104)**	**0**
Capital repayment	**627**	**42**
Carrying amount as at 31/03/2011	**(1,762)**	**(2,502)**

The following amounts were paid/are payable under lease agreements:

	2009/10 £'000	2010/11 £'000	Leases expiring within one year £'000	after one year but less than five years £'000	expiring after more than five years £'000
Finance leases - property	321	**321**	0	0	321
Finance leases - plant, equipment, vehicles	851	**796**	151	416	114
All finance leases	1,172	**1117**	151	416	435
Operating leases - property	930	**1,049**	254	193	622
Operating leases - plant, equipment, vehicles					
All operating leases	930	**1049**	254	193	622
All leases	2,102	**2166**	405	609	1,057

Total future minimum lease payments (MLP) are as follows:

	MLP £'000	Net Present Value MLP £'000
Finance leases	**10,641**	**6,556**
Operating leases	**8,840**	**5,594**

Debtor representing interest in finance leases

	£'000
Opening balance 01/04/2009	389
Payments received	(45)
Closing balance 31/03/2010	344
Payments received	(48)
Closing balance 31/03/2011	296

Future receipts from finance leases

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	**0**	**72**	**0**
Operating leases - property	**46**	**620**	**539**

Total future minimum lease receipts (MLR) are as follows:

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	**287**	**261**
Operating leases - property	**11,245**	**5,964**

13. Trading operations

The Best Value Accounting Code of Practice requires that material trading activities (e.g. where there are continuing contracts arising under Compulsory Competitive Tendering or new contracts arising from voluntary competitive tendering exercises) continue to be reported. The trading position for the Dorset Works Organisation (DWO) and County Engineering Services (CES) is set out below. This is the last year in which these Services will be reported in this way. As from 1 September 2011, these operations will merge into the Highways and Transport Division.

2009/10 (restated) Surplus/ (Deficit) £'000	**Summary Accounts**	Income £'000	Expenses £'000	**2010/11 Surplus/ (Deficit) £'000**
	DWO			
405	Highway Work	23,712	23,293	419
31	Grounds Maintenance	3,173	3,180	(7)
	CES			
32	Vehicle Maintenance	2,700	2,690	10
468		**29,585**	**29,163**	**422**
	2009/10 comparatives	28,084	27,616	468

Appropriation Account	(Restated) Balance B/Fwd 2009/10 £'000	Profit / (loss) for the year £'000	Applied during the year £'000	**Balance Carried Forward 2010/11 £'000**
Highway Work	**634**	419	360	**693**
Grounds maintenance	**-**	(7)	(7)	**-**
Vehicle maintenance	**-**	10	10	**-**
	634	**422**	**363**	**693**

2009/10 (restated) £'000	Trading Operations	**2010/11 £'000**
244	Highway Work and Grounds Maintenance	**229**
35	Vehicle maintenance	**34**
279		**263**

14. Analysis of Government Grants

This table gives details of the specific grants received from central Government Departments.

2009/10 (restated) £'000		**2010/11 £'000**
289,178	Education	**308,762**
23,508	Communities & Local Government	**9,106**
5,023	Health	**3,654**
918	Transport	**-**
997	Environment, Food & Rural Affairs	**1,320**
10,616	Other	**12,192**
330,240		**335,034**

15. Deployment of Dedicated Schools Grant

Since 2006-07, the Council's expenditure on schools has been mainly funded by grant monies provided by the Department for Education (Department for Children, Schools and Families), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included ir the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a delegated budget share for each school. Over and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2010/11 are as follows: -

Total 2009/10 £'000 (restated)		Central Expenditure £'000	Individual Schools Budget * (ISB) £'000	**Total 2010/11 £'000**
205,848	Final DSG for 2010/11	28,981	184,697	**213,678**
5,349	Brought forward from 2009/10	3	6,333	**6,336**
-	Carry forward to 2011/12 agreed in advance	-	-	**-**
211,197	Agreed budgeted distribution in 2010/11	28,984	191,030	**220,014**
(28,723)	Actual central expenditure	(27,978)	-	**(27,978)**
(176,138)	Actual ISB deployed to schools	-	(183,212)	**(183,212)**
-	Local Authority contribution for 2010/11	-	-	**-**
6,336	Carry forward to 2011/12	1,006	7,818	**8,824**

* includes schools contingency

NB. The actual Central Expenditure and balance may be subject to slight adjustment when the apportionments required in the statutory section 251 outturn statement (which has to be submitted to the Department for Education at the end of August) are finalised.

16. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Total Capital Expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its fixed asset register. This expenditure is charged to the Income and Expenditure account in the year it is incurred with the necessary appropriations in the Statement of Movement on the General Fund Balance and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.

2009/10 £'000		**2010/11 £'000**
10,000	Expenditure in Service Budgets funded from Capital Adjustment Account	**10,568**

17. Area Based Grant

Area Based Grant was a general grant paid to Dorset County Council, accounted for in the same way as other general funding such as Revenue Support Grant. The Authority distributed Area Based Grant to services on the advice of the Dorset Strategic Partnership, with final decisions being made by Dorset County Council's Cabinet.

18. Members' allowances

The total amount of Members' allowances paid in the year is shown in the following table.

2009/10 £'000		**2010/11 £'000**
700	Members' Allowances	**719**

19. Remuneration of senior staff

Part 3 of the Accounts & Audit (England) Regulations 2011 [SI 2011 No 817] cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum to be reported. "Missing" bands have no staff in them for either year (eg £165,000 to £170,000).

	2009/10				**2010/11**	
Non-	LEA Schools	VA/VC Schools	Group	**Non-**	**LEA Schools**	**VA/VC**
126	138	56	£50,000 to £55,000	**132**	**92**	**93**
67	51	35	£55,000 to £60,000	**70**	**45**	**56**
29	47	18	£60,000 to £65,000	**39**	**30**	**36**
23	25	10	£65,000 to £70,000	**23**	**13**	**18**
2	19	8	£70,000 to £75,000	**6**	**24**	**7**
6	10	5	£75,000 to £80,000	**3**	**10**	**8**
6	2	-	£80,000 to £85,000	**7**	**3**	**3**
10	5	2	£85,000 to £90,000	**5**	**2**	**2**
6	3	-	£90,000 to £95,000	**11**	**2**	**1**
1	3	1	£95,000 to £100,000	**5**	**1**	**3**
-	-	2	£100,000 to £105,000	**-**	**1**	**1**
1	2	2	£105,000 to £110,000	**-**	**-**	**-**
1	-	-	£110,000 to £115,000	**-**	**1**	**-**
-	-	1	£115,000 to £120,000	**-**	**-**	**-**
1	-	-	£120,000 to £125,000	**-**	**-**	**-**
-	1	-	£125,000 to £130,000	**2**	**-**	**-**
1	-	-	£130,000 to £135,000	**-**	**-**	**1**
-	1	-	£135,000 to £140,000	**1**	**-**	**-**
-	-	-	£140,000 to £145,000	**-**	**1**	**1**
1	-	-	£145,000 to £150,000	**-**	**-**	**-**
-	-	-	£150,000 to £155,000	**3**	**-**	**-**
1	-	-	£155,000 to £160,000	**-**	**-**	**-**
-	-	-	£160,000 to £165,000	**1**	**-**	**-**
1	-	-	£195,000 to £200,000	**-**	**-**	**-**
-	-	1	£200,000 to £205,000	**1**	**-**	**-**

Dorset County Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level.
The Regulations also require the disclosure of remuneration of Senior Officers whose salary was £150,000 or more per annum. DCC has decided to disclose information on salaries above £100,000.

2009/10 Total £'000	Post Holder Information	Salary £'000	Taxable Expenses £'000	Benefits in Kind £'000	Pension £'000	Total including £'000
112	Stephen Pitt (Former Director for Adult & Community Services) Retired on 31/12/2009	-	-	-	-	-
-	Debbie Ward Director for Adult & Community Services Joined on 01/05/2010	110	-	-	20	130
122	Paul Kent (Chief Financial Officer)	102	-	5	19	126
132	John Nash (Director for Children's Services)	118	-	-	21	139
149	Miles Butler (Director for Environment)	125	1	3	23	152
157	Elaine Taylor (Director for Corporate Resources)	132	1	3	24	160
197	David Jenkins (Chief Executive)	164	1	5	31	201
869		751	3	16	138	908

20. Audit fees

Fees payable to the Audit Commission for services carried out by the appointed Auditor were:

2009/10 £'000		2010/11 £'000
208	External Audit Services	184
17	Statutory Inspections (CPA)	-
21	Certification of grant claims	19
246		203

During 2009/10, Dorset County Council migrated from a range of legacy computer systems to SAP. Data migrated from these legacy systems to SAP during the year were subject to audit at a cost of £40,000. This is included within External Audit Services costs for the comparative year.

21. Interest

Interest payable and receivable by the Authority is analysed as follows:

2009/10 (restated) £'000		2010/11 £'000
6,156	Interest payable on borrowings (as per I&E)	5,600
(3,899)	Interest receivable and investing income (as per I&E)	(2,476)
1,785	Interest payable on service concessions (PFI schemes)	1,991
206	Interest payable on finance leases (property)	203
197	Interest payable on finance leases (plant & equipment)	169
(26)	Interest receivable on finance leases (property)	(23)
4,419		5,464

Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income & Expenditure Statement.

22. Property, plant and equipment

The following table shows the overall movements in property, plant and equipment during the year. Infrastructure assets include, for example, highways, and community assets include country parks. Intangible assets are computer software licences which have a useful economic life of more than one financial year. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans. Surplus assets continue to be depreciated but once a surplus property is being actively sold, it is transferred to the class referred to as assets held for sale. These assets are not depreciated.

The figures for the year ending 31 March 2010 (opening balances for that year) have been restated to include £134.2M of VC Schools which had previously not been included in the Authority's Balance Sheet but was required to be included as part of the transition to IFRS.

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Gross book value as at 31 March 2010 (restated)	591,484	29,422	221,292	3,532	845,730	10,212	84,093	6,419	0	946,454
Accumulated Depreciation & Impairment (restated)	(36,945)	(20,840)	(26,792)	0	(84,577)	(6,617)	0	(129)	0	(91,323)
Net book value as at 31 March 2010 (restated)	554,539	8,582	194,500	3,532	761,153	3,595	84,093	6,290	0	855,131
Additions	15,429	3,759	50,745	508	70,441	410	53,426	275	0	124,552
Disposals	(1,681)	(1,210)	0	0	(2,891)	(36)	0	(1,990)	0	(4,917)
Revaluations	28,376	0	0	0	28,376	0	0	117	0	28,493
Transfers	6,440	5,635	50,958	6	63,039	0	(63,095)	(2,773)	2,829	0
Depreciation	(17,688)	(2,240)	(9,932)	0	(29,860)	(470)	0	(54)	0	(30,384)
Depreciation on assets sold	1,341	1,027	0	0	2,368	36	0	4	0	2,408
Impairment (non enhancing expenditure)	0	0	0	0	0	0	0	0	0	0
Impairment (fall in market value)	(573)	0	0	0	(573)	0	0	0	0	(573)
Net book value as at 31 March 2011	**586,183**	**15,553**	**286,271**	**4,046**	**892,053**	**3,535**	**74,424**	**1,869**	**2,829**	**974,710**
Asset Financing										
Owned	566,611	14,076	250,160	4,046	834,893	3,535	74,424	1,869	2,829	917,550
Leased	2,089	1,477	0	0	3,566	0	0	0	0	3,566
PFI	17,483	0	36,111	0	53,594	0	0	0	0	53,594
	586,183	**15,553**	**286,271**	**4,046**	**892,053**	**3,535**	**74,424**	**1,869**	**2,829**	**974,710**

Comparative movements for 2009/10 were as follows:

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Gross book value as at 31 March 2009 (restated)	635,894	43,456	241,267	3,393	924,010	14,500	23,851	7,628	0	969,989
Accumulated Depreciation & Impairment (restated)	(84,976)	(31,377)	(57,822)	0	(174,175)	(8,897)	(4,966)	(454)	0	(188,492)
Net book value as at 31 March 2009 (restated)	550,918	12,079	183,445	3,393	749,835	5,603	18,885	7,174	0	781,497
Additions	654	1,390	20,352	139	22,535	208	65,860	51	0	88,654
Disposals	(153)	(929)	0	0	(1,082)	0	0	(941)	0	(2,023)
Revaluations	15,284	0	0	0	15,284	0	0	115	0	15,399
Transfers	18	0	634	0	652	0	(652)	0	0	0
Depreciation	(12,195)	(4,666)	(9,931)	0	(26,792)	(2,216)	0	(49)	0	(29,057)
Depreciation on assets sold	13	708	0	0	721	0	0	0	0	721
Impairment (non enhancing expenditure)	0	0	0	0	0	0	0	0	0	0
Impairment (fall in market value)	0	0	0	0	0	0	0	(60)	0	(60)
Net book value as at 31 March 2010 (restated)	554,539	8,582	194,500	3,532	761,153	3,595	84,093	6,290	0	855,131
Asset Financing										
Owned	533,912	6,611	168,986	3,532	713,041	3,595	84,093	6,290	0	807,019
Leased	2,173	1,971	0	0	4,144	0	0	0	0	4,144
PFI	18,454	0	25,514	0	43,968	0	0	0	0	43,968
	554,539	8,582	194,500	3,532	761,153	3,595	84,093	6,290	0	855,131

23. Minimum Revenue Provision

This is a memorandum account, operated in accordance with the Local Government Act 2003 and the policy agreed by Members at the budget setting meeting, which requires an annual Minimum Revenue Provision of the previous year's Capital Financing Requirement to be set aside. This summary of transactions within the Capital Adjustment Account is shown for information. DCC uses a rate of 4% to make it's provision.

2009/10 (restated) £'000		2010/11 £'000
22,722	Balance brought forward	31,233
6,218	Minimum Revenue Provision	7,519
1,600	PFI Schemes	3,674
693	Finance Leases	668
31,233	Balance carried forward	43,094

24. Retirement benefits

The County Council participates in two different pension schemes that meet the needs of employees in particular services. Both are defined benefit schemes providing members with benefits related to pay and length of service. The schemes are as follows: -

(i) The Local Government Pension Scheme for employees other than teachers, is administered by the County Council. This is a funded scheme, meaning that the council and the employees pay contributions into a fund, calculated at a level intended to balance over time the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in the General Fund Balance.

The current service costs are included within the 'Net Cost of Services' and the net of interest cost and expected return on assets is included in 'Net Operating Expenditure' in the revenue account in respect of the County scheme. Actuarial gains and losses arising from new valuations or revaluations are recognised in the Statement of Total Movement in Reserves. The independent actuary has determined these amounts in accordance with the FRS and Government regulations.

2009/10 £'000		2010/11 £'000
	Net Cost of Services	
23,713	Current Service Cost	36,213
-	Past Service Costs	(72,046)
530	Settlements / Curtailments	759
	Net Operating Expenditure	
35,575	Interest Cost	46,804
(20,490)	Expected Return on Assets	(27,133)
	Amount to be met from Government Grant	
(12,099)	Movement on Pensions Reserve	44,049
	Actual amount charged against council tax	
(3,186)	Unfunded Pension Payments	(3,178)
(24,043)	Employer's contributions payable	(25,468)

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

The underlying assets and liabilities for retirement benefits attributable to the County Council as at 31 March are shown in the following table, which also shows the distribution of assets by proportion of the total and the expected long-term return. The assets are valued at fair value, principally market value for investments, and consist of the following categories: -

2009/10 %Assets	2009/10 £'000	2009/10 Return		2010/11 % Assets	2010/11 £'000	2010/11 Return
61%	266,613	7.5%	Equities	59%	271,561	7.4%
16%	69,931	4.5%	Gilts	22%	101,260	4.4%
5%	21,854	5.5%	Bonds	0%	-	5.5%
7%	30,595	5.5%	Property	7%	32,219	5.4%
6%	26,224	3.0%	Cash	6%	27,616	3.0%
5%	21,854	5.0%	Other	6%	27,616	5.0%
	437,071		Estimated Assets in County Council Fund		460,272	6.2%
	851,756		Present value of scheme liabilities		729,465	
	40,317		Present value of unfunded liabilities		35,739	
	892,073		Total value of liabilities		765,204	
	(455,002)		Net Pensions Asset / (Liability)		(304,932)	

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 1 April 2007, as updated for changes in numbers of staff and pensioners. The next full valuation takes effect from 1 April 2010.

The main assumptions used in their calculations are: -

2009/10 % p.a.	2009/10 Real		2010/11 % p.a.	2010/11 Real
3.9%		RPI inflation	3.5%	
n/a		CPI inflation	2.7%	-0.8%
5.4%	1.5%	Rate of increase in salaries	4.8%	1.3%
3.9%		Rate of increase in pensions	2.7%	-0.8%
5.5%	1.5%	Rate for discounting scheme liabilities	5.5%	1.9%
50.0%		Proportion of employees opting to take a commuted lump sum	50.0%	

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows: -

2009/10			2010/11	
Male	Female	Years	**Male**	**Female**
20.80	23.90	Retiring today	**19.80**	**23.90**
21.80	24.80	Retiring in 20 years	**21.90**	**25.80**

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2009/10 £'000		**2010/11 £'000**
528,887	Opening defined benefit obligation	**892,073**
23,713	Service cost	**36,213**
35,575	Interest cost	**46,804**
322,860	Actuarial losses (gains)	**(119,636)**
530	Losses (gains) on curtailments	**759**
(25,184)	Estimated benefits paid (net of transfers in)	**(24,686)**
-	Past service cost	**(72,046)**
8,878	Contributions by scheme participants	**8,901**
(3,186)	Unfunded pension payments	**(3,178)**
892,073	Closing defined benefit obligation	**765,204**

The Authority is also required to provide a reconcilaition between the opening and closing balances of the fair value of the scheme assets:

2009/10 £'000		**2010/11 £'000**
321,009	Opening fair value of scheme assets	**437,071**
20,490	Expected return on scheme assets	**27,133**
87,835	Actuarial gains (losses)	**(13,615)**
27,229	Contributions by employer (including unfunded)	**28,646**
8,878	Contributions by scheme participants	**8,901**
(28,370)	Estimated benefits paid (net of transfers in and including unfunded)	**(27,864)**
437,071	Fair value of scheme assets at end of period	**460,272**

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year:

2009/10 £'000		**2010/11 £'000**
(207,878)	Surplus / (Deficit) brought forward	**(455,002)**
(23,713)	Current Service Cost	**(36,213)**
24,043	Contributions	**25,468**
3,186	Unfunded Pension Payments	**3,178**
-	Past Service Cost	**72,046**
(15,085)	Other Finance Income	**(19,671)**
(235,025)	Actuarial Gain / (Loss)	**106,021**
(530)	Settlements / Curtailments	**(759)**
(455,002)	Surplus / (Deficit) as at 31 March	**(304,932)**

The estimated employer contribution to the scheme for the period 1 April 2011 to 31 March 2012 is £24.734M. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2011.

The actuarial gains or losses identified in the above tables can be analysed into the following categories, shown as cash amounts and as a percentage of assets or liabilities as at 31 March each year.

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	**2010/11 £'000**
Difference between expected and actual return on assets	(316)	(47,530)	(143,028)	87,835	**3,274**
Difference between actuarial assumptions about liabilities and actual experience	(4,467)	(40,075)	-	(27,636)	**(15,213)**
Changes in demographic or financial assumptions used to estimate liabilities	21,474	88,855	88,039	(295,224)	**117,960**
	16,691	1,250	(54,989)	(235,025)	**106,021**
Difference between expected and actual return on assets	-10.5%	-11.0%	-44.6%	20.1%	**0.7%**
Difference between actuarial assumptions about liabilities and actual experience	-6.9%	-7.1%	0.0%	-3.1%	**-2.0%**
Changes in demographic or financial assumptions used to estimate liabilities	15.4%	-15.8%	16.6%	-33.1%	**15.4%**
Present values of total scheme liabilities	2.9%	-0.2%	-10.4%	-26.3%	**13.9%**

(ii) Teachers are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). The County Council contributes towards the costs by making contributions based on a percentage of members pensionable salaries.

In 2010/11 the County Council paid £17.687m to the TPA (14.1% of pensionable pay).The figures for 2009/10 were £17.238m and 14.1%. The cost of added years payments to ex-staff was £1.386m (£1.325m in 2009/10). There were no contributions remaining payable at the year end.

The Teachers' Pension Scheme is a defined benefit scheme, which is unfunded. The Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. The benefits are fully accrued in the pensions liability detailed above.

25. Pooled Budget Scheme

The County Council is in a partnership scheme with NHS Dorset, WDGH Foundation Trust and Dorset Healthcare Foundation Trust under Section 31 of the Health Act 1999. The partnership commenced on the 1 January 2004 and aims to provide a responsive equipment service including the support of intermediate care and reablement services. Details are shown in the following table: -

2009/10		**2010/11**
£'000		**£'000**
2,868	Expenditure	**2,589**
(1,832)	Income	**(1,642)**
1,036	Net DCC Contribution	**947**

26. Summary of capital expenditure and financing

2009/10 (restated)				**2010/11**	
£'000	£'000			**£'000**	**£'000**
		Adult Social Care			
172		Major Schemes		**523**	
140		Minor Schemes		**160**	
193		IT		**-**	
163	668	Structural Maintenance		**985**	**1,668**
		Corporate Resources			
		Major Schemes		**-**	
581		Minor Schemes		**69**	
2,861		IT		**2,174**	
151	3,593	Structural Maintenance		**296**	**2,539**
		Cabinet			
2,972		Major Schemes		**1,083**	
510		Minor Schemes		**196**	
282		IT		**847**	
-	3,764	Structural Maintenance		**-**	**2,126**
		Children's Services			
25,107		Major Schemes	*21*	**35,980**	
11,354		Minor Schemes		**3,498**	
248		IT		**933**	
5,408	42,117	Structural Maintenance		**4,942**	**45,353**
		Environmental Services			
44,305		Major Schemes		**52,182**	
18,346		Minor Schemes		**18,611**	
1,028		Vehicles		**1,941**	
73		IT		**81**	
6	63,758	Structural Maintenance		**51**	**72,866**
	113,900	**Total Capital Expenditure**			**124,552**
		Sources of Finance			
25,782		Borrowing (internal & external)		**52,382**	
56,265		Grants		**54,393**	
1,469		Other Contributions		**3,608**	
9,510		PFI		**11,762**	
2,907		Use of Capital Receipts		**954**	
17,967		Use of Reserves and Cost Centre Balances/revenue contributions		**1,453**	
	113,900	**Total Financing**			**124,552**

This table gives details of capital spending by service, and how that spending was financed.

27. Capital financing requirement

This shows the underlying need to borrow to finance the capital programme.

2009/10 (restated)		**2010/11**
£'000		**£'000**
168,801	Balance brought forward	**187,979**
113,900	Capital Investment	**124,552**
(7,602)	Reclassification of PFI Schemes/leased assets	**(5,632)**
(2,907)	Capital Receipts	**(954)**
(57,734)	Government Grants & Other Contributions	**(58,001)**
(17,968)	Revenue/Reserves Financing	**(1,453)**
(8,511)	Minimum Revenue Provision	**(11,861)**
187,979	Balance carried forward	**234,630**

Analysis of movement in the Capital Financing Requirement during the year

2009/10 (restated)		**2010/11**
£'000		**£'000**
-	Increase in underlying need to borrow (supported by Govt)	**19,380**
(20,000)	Increase in underlying need to borrow (not supported by Govt)	**-**
39,178	Increase in use of internal balances	**27,271**
19,178		**46,651**

28. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2010/11 and earlier years, which were not completed by 31 March 2011. Details of further expenditure on such major schemes which will be incurred in later years are set out below: -

2009/10 (restated) £'000		2010/11 £'000
	Children's Services	
-	Chesil Cove Federation - replacement primary school	**7,545**
31,361	Queen Elizabeth's School, Wimborne - replacement	**16,591**
	Budmouth Technology College, Weymouth	
12,162	- Clare Hall replacement	**4,527**
	Environmental Services	
42,811	Weymouth Relief Road	**15,446**
6,937	Weymouth Transport Package	**2,820**
2,488	Durlston Castle Visitor Centre	**2,954**
1,883	Weymouth Showcase Project	**2,867**
1,094	Swanage HRC Phase 2	**1,985**
57	Resignalling Wareham to Swanage Branch Line	**2,943**
	Adult & Community Services	
537	Residential Unit for People with Learning Disabilities	**3,588**

29. Asset register

The following table analyses the numbers and values of major fixed assets owned by the Authority.

2009/10 (restated) No.	2009/10 (restated) £'000		2010/11 No.	2010/11 £'000	2010/11 £'000
28	3,595	**Intangible Assets**	**27**		**3,535**
		Operational Assets			
312	164,297	Land	**308**	**166,154**	
286	380,356	Buildings	**292**	**409,885**	
58	4,911	Farms - Land	**55**	**6,241**	
57	2,802	Farms - Buildings	**51**	**3,903**	
3	2,173	Leased Buildings	**3**	**2,089**	
					586,183
314	4,515	Vehicles	**330**	**5,301**	
130	1,971	Leased vehicles	**114**	**1,477**	
1	29	Plant	**1**	**19**	
400	811	Furniture & Fittings	**401**	**581**	
32	1,256	Equipment	**34**	**8,175**	
					15,553
12	194,500	**Infrastructure Assets**	**15**		**286,271**
34	3,532	**Community Assets**	**29**		**4,046**
		Non-Operational Assets			
210	84,093	Assets under construction	**401**	**74,424**	
21	6,290	Surplus Assets	**20**	**1,869**	
-	-	Assets held for sale (current assets)	**2**	**2,829**	
					79,122
1,898	855,131		**2,083**		**974,710**

The Balance Sheet does not include VA schools, where ownership rests with the Diocese, or Foundation Schools and other schools that have subsequently transferred to Foundation status, as the premises remain under the control of each Foundation.

In addition to the above, the Council owns a number of sites which are held pending development or disposal. It is also responsible for the following infrastructure assets. Unclassified Roads no longer include unpaved roads or green lanes.

2009/10 Km		2010/11 Km
403	Principal Roads	**403**
1,555	Classified Roads	**1,560**
2,136	Unclassified Roads	**2,142**
4,094		**4,105**

30. Components

As noted elsewhere in this document, component accounting has been applied prospectively from 1 April 2010. A policy for assessing the Authority's assets for componentisation was developed with the Valuations & Estates Team and approved by the Auditors. This looks at componentising every revalued asset (assets are revalued formally every five years) as well as componentising any new assets or assets undergoing major enhancement/refurbishment during the year.

During 2010/11, 29 property assets were componentised. The depreciation included in the Comprehensive Income & Expenditure Statement on account of these components is £548k. Had these components not been created, the depreciation charge on the non-componentised assets would have been £306k.

31. Investments

The Council has adopted the Code of Practice for Treasury Management in Local Authorities that, amongst other things, governs the way in which surplus cash is invested. The total amount of investments with individual institutions and sectors is strictly controlled and regularly reviewed. The short-term (i.e. less than one year) investment of surplus funds at 31 March 2011 amounted to £31.8 million and a further £17.5 million has been invested for a period of more than one year. All loans are to approved commercial banks and building societies in accordance with the code of practice.

Impairment of Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £28.1m deposited across two of these institutions, with varying maturity dates and interest rates as follows: -

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Increase/ (decrease) in Impairment 2010/11	Carrying Amount 31 March 2011	**Total Impairment**
Landsbanki	17 Mar 08	13 Mar 09	5,000	5.95%	40	4,064	**1,721**
Heritable	19 May 08	18 May 09	4,000	6.20%	1	1,363	**1,054**
Landsbanki	27 Jun 08	31 Dec 08	5,000	6.20%	42	4,087	**1,649**
Landsbanki	02 Jul 09	31 Oct 08	5,000	6.04%	42	4,205	**1,521**
Heritable	04 Aug 08	31 Oct 08	4,500	5.80%	1	1,517	**1,142**
Heritable	21 Aug 08	30 Jan 09	4,600	5.97%	1	1,545	**1,178**
			28,100		127	16,781	**8,265**

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

£7.864m of the total impairment was charged in the 2008/09 accounts, with a further £0.274m charged in 2009/10. £0.127m was charged in 2010/11

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the Administrator in February 2011 outlined that the return to creditors was still projected to be 79p to 85p in the £ by end 2012. Payments received to 31 March 2011 total 50.11p in the £. A further 6.25p in the £ was received in April. The authority has therefore decided to continue to recognise an impairment based on it recovering 84.98p in the £.

Landsbanki

Landsbanki Islands HF is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs and other relevant information indicates that recovery of between 90-100 % could be achieved, and the authority has taken a mid point position and assumed recovery at 94.85p by 2018. The Authority has therefore decided to recognise an impairment based on it recovering 94.85p in the £.

Although the Authority has been given preferential creditor status, which has been reaffirmed in a recent court case, recovery is still subject to the following uncertainties and risks: -

• The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.

• Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.

• The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

32. Long-term debtors

An analysis of amounts due to the Council at 31 March 2011, repayable over a period of more than 12 months, is shown below. The amount for Other Local Authorities relates to the Home Office system of capital financing for Police and Probation expenditure prior to 1990, and is repayable by the Police Authority and National Probation Service in annual instalments. The majority of the remainder relates to similar capital financing arrangement for colleges, deferred debt for residents in care homes and private street works.

2009/10 (restated) £'000		**2010/11** **£'000**
1,289	Other Local Authorities	**1,217**
344	Interest in Finance Leases	**295**
3,583	Other	**2,544**
5,216		**4,056**

33. Inventories

The Council holds a number of stocks and stores. Stock levels are regularly reviewed to ensure that only necessary stocks are held. Equipment for disabled people issued under the pooled budget arrangement (detailed in Note 25 earlier in this document) is no longer included.

A new IES contract for the provision of CADLs (large items of equipment) commenced on 1 April 2010. This contract operates as a rental model so the equipment being used in the community continues to be owned by the contractor (The Pluss Organisation). When requested, Pluss has been collecting equipment issued before 1 April 2010 and reimbursing the partners at an agreed rate. The value of any equipment remaining in the community is minimal.

2009/10 £'000	Stocks	2010/11 £'000
265	Highways and Transportation	433
202	Social Care Equipment	-
47	Fuel Scheme	75
18	Printing Section	14
462	Other	5
994		527

34. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2011 is shown below.

2009/10 (restated) Debtors £'000	2009/10 (restated) Payments in advance £'000		2010/11 Debtors £'000	2010/11 Payments in advance £'000
23,918	166	Central Government Departments	20,141	-
7,482	528	Other Local Authorities	6,738	206
31,777	3,796	Other	14,659	5,019
63,177	4,490		41,538	5,225

Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £4.7m as at 31 March 2011 may be due from the District Councils in Dorset in respect of Section 106 planning agreements.

35. Assets held for sale

As set out in the Accounting Policies section of this document, assets that meet the criteria are required to be accounted for and reported as being held for sale. Dorset County Council had two properties which met these criteria at the Balance Sheet date. There were no material assets that met the criteria of being held for sale at 31 March 2010 or 1 April 2009.

Property	Use/Business Segment	2010/11 £'000
1. Land of the Lord Digby School, Sherborne	Children's Services (School)	2,006
2. Land of the site of Buxton House, Weymouth	Adult & Community Services	823
		2,829

36. Cash (and cash equivalents) and bank balances

Cash in hand includes £19.5m held in interest earning accounts as an alternative to temporary investments. A bank overdrawn figure includes outstanding cheques drawn shortly before the end of the financial year, which were unpresented as at 31 March 2011. The actual bank balance is managed on a daily basis and kept to very modest limits, usually less than £100,000.

37. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2011 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders. The increase in outstanding debt is a consequence of the Council's decision to borrow, historically to fully utilise the credit approvals (borrowing permissions) granted by the Government, and within the limits set by the County Council to borrow under the Prudential Code for capital finance in local authorities.

2009/10 PWLB £'000	2009/10 Other £'000	Analysis of Loans by maturity	2010/11 PWLB £'000	2010/11 Other £'000
620	-	**Short Term Borrowing** (less than 1 year)	15,650	-
15,650	-	Between 1 and 2 years	10,681	-
32,141	-	Between 2 and 5 years	32,243	-
14,303	-	Between 5 and 10 years	4,508	-
3,105	-	Between 10 and 15 years	12,117	-
-	-	Between 15 and 20 years	10,000	-
-	-	Between 20 and 25 years	-	-
-	-	Between 25 and 30 years	-	-
-	-	Between 30 and 35 years	-	-
-	-	Between 35 and 40 years	8,816	-
41,816	-	Between 40 and 45 years	33,000	-
-	35,600	More than 45 years	-	35,600
107,015	35,600	**Long Term Borrowing**	111,365	35,600
109,883	38,809	**Fair Value of Market Loans**	130,177	41,765
3.30%	3.79%	Average rate of interest	3.42%	4.45%

Actual borrowing shown here may be less than the Capital Financing Requirement shown in Note 27 because of unfinanced capital expenditure carried forward, shown in Note 26, or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisors, taking into account interest rate movements and other factors.

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

38. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2011 is shown below. Receipts in advance no longer include grants or contributions held in respect of future spending where conditions attached to the grant have been met. Transition to IFRS means such monies are realised in the Comprehensive Income and Expenditure Statement and transferred to reserves.

2009/10 (restated) Creditors	2009/10 (restated) Receipts in advance		**2010/11 Creditors**	**2010/11 Receipts in advance**
£'000	£'000		**£'000**	**£'000**
2,563	5,122	Central Government Departments	**4,154**	**324**
8,075	1,361	Other Local Authorities	**9,048**	**110**
44,457	2,474	Other	**49,599**	**641**
55,095	8,957		**62,801**	**1,075**

39. Provisions

The Council has made a number of provisions as follows: -

(i) Insurance Provision

The Council self-insures most of its insurance claims, funding these internally. Interest is earned on the balances held until they are required. Provision is made to cover all known claims that arise from 2010/11 and earlier financial years.

The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750,000.

(ii) Local Management in Schools - Insurance Scheme & General Insurance Provisions

This provision relates to the cost of cover for staff absences in schools.

	Balance 1 April 2010 (restated)	Income	Payments and / or Transfers	**Balance 31 March 2011**
	£'000	£'000	£'000	**£'000**
General Insurance Provision	2,931	1,573	**1,370**	**3,134**
LMS - Insurance Scheme	547	376	**465**	**458**
	3,478	**1,949**	**1,835**	**3,592**

40. Contingent Liabilities

Provision has been made in the accounts for known claims against the Council at the level of the Council's own estimation. There are potential claims against the Council, including equal pay claims, which are at this stage unquantifiable and no provision has been made for these. There are various other minor claims against the Council, where the validity is disputed, and the Council has made no provision for these in the accounts.

In the period prior to 1991 the Council was externally insured by Municipal Mutual Insurance. There are potential liabilities arising from a Scheme of Arrangement organised to ensure an orderly settlement of outstanding claims. No provision has been made to cover these potential liabilities.

41. Other long term liabilities

The long-term liability is the Salix Fund, which has been established with money advanced by a government agency, match-funded by DCC, to pay for carbon reduction measures in buildings. The fund is replenished from savings in energy costs in the early years of each project (after which, savings accrue to revenue budgets). The fund is available for ongoing reinvestment. However, should there be, at some stage, insufficient compliant schemes in which to invest, Government may require its advance to be repaid.

42. Trust funds and bequests

The County Council administers a number of funds which have been established by gift or bequest. Some are bequests for the benefit of certain Social Care or Library service users; others are for school pupils, for the purchase of books, as prizes, or occasionally to provide scholarships. These funds are held by the County Council as trustees and are summarised below.

	Balance 1 April 2010	Income	Expenditure	**Balance 31 March 2011**	Capital 31 March 2011
	£	£	£	**£**	£
Bequests (Social Care & Library)	7,533	262	2,161	**5,635**	119,941
Francis Ramage Prize Fund	20	1,326	-	**1,345**	50,000
Dixon Galpin Scholarship Fund	21,965	3,049	3,943	**21,071**	21,010
Sarah J H May Award	20,063	12,102	32,166	**-**	-
Rosina Chesham Bequest	11,734	10,000	21,734	**-**	-
Other Trust Funds	9,688	3,461	4,682	**8,468**	9,776
	71,004	**30,200**	**64,686**	**36,518**	**200,727**

43. Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital control system.

2009/10 (restated) £'000		2010/11 £'000
534,455	Balance brought forward	567,802
8,511	Minimum Revenue Provision	11,861
(24,159)	Depreciation & Deferred Charges	(24,756)
(2,749)	Impairment Charges	-
(1,214)	Book Value of Disposals & Transfers	(3,047)
58,795	Release of Government Grant	67,743
(10,000)	REFCUS	(10,568)
(1,464)	PFI depreciation & amortisation	(1,796)
-	Revaluations	(81)
2,721	Revenue Contributions	-
2,906	Use of Capital Receipts	954
567,802	Balance carried forward	608,112

44. Collection Fund Adjustment Account

The Collection Fund Adjustment Account holds the movement between the Council Tax income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement on the General Fund Balance. This is an unusable reserve for the Authority.

2009/10 £'000		2010/11 £'000
1,010	Balance brought forward	1,684
674	Movement in year	353
1,684	Balance carried forward	2,037

45. Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

The balance on this account at the end of the year is mirrored by a provision in the balance sheet. As with other changes in provisions, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of services.

2009/10 (restated) £'000			2010/11 £'000	
	7,938	Opening balance		9,921
(7,938)		Reverse previous year provision	(9,921)	
9,921		Current year provision	8,594	
	1,983	Charge (credit) to I&E		(1,327)
	9,921	Closing balance		8,594

46. Capital Grants Unapplied Account

Where the acquisition of a fixed asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account. This treatment is different from that applied under the SORP, which saw capital grants held in a Capital Grants Deferred account and amortised to the Capital Adjustment Account over the life of the asset being funded. The treatment of the previous balances held on the Capital Grants Deferred account can be seen in the Appendices to these Financial Statements, setting out the accounting adjustments made in the transition to IFRS.

2009/10 (restated) £'000		2010/11 £'000
5,204	Balance brought forward	12,575
66,166	Receipts	51,166
-	Notional Interest	12
(58,795)	Transferred to Capital Adjustment Account	(67,742)
-	Adjusted to revenue reserves	19,662
12,575	Balance carried forward	15,673

47. Revaluation Reserve

This account records the net gain, (if any), from revaluations made after 1 April 2007 from holding fixed assets.

2009/10 £'000		2010/11 £'000
50,651	Balance brought forward	65,860
20,578	Gains / (losses) - fixed asset revaluation	28,493
(2,490)	Impairment - fall in market value	(574)
(2,792)	Depreciation	(3,202)
(87)	Transfer to Capital Adjustment Account	(64)
65,860	Balance carried forward	90,513

48. Financial Instrument Adjustment Account

Financial instruments arise from various types of loan contract or agreements. These activities give rise to a number of risks, including credit risk (debts might not be repaid); liquidity risk (having funds available to meet commitments); re-financing risk (disadvantageous timing for renewal); and market risk (interest rate movements). These topics are addressed in the annual Treasury Management report to the Cabinet.

2009/10 £'000		**2010/11 £'000**
1,008	Balance brought forward	**1,246**
138	Deferred Discount on early repayment of debt	**-**
100	Soft Loan Interest Adjustment	**162**
1,246	Balance carried forward	**1,408**

The above examples relate to the restructuring of the County Council's borrowing to finance its capital programme, and an interest adjustment in the situation where debt relating to long term residential care is deferred and recorded against a resident's property until that property is disposed of.

49. Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme.

2009/10 (restated) £'000		**2010/11 £'000**
9,213	Balance brought forward	**9,934**
3,673	Capital Receipts	**2,283**
(45)	Finance leases	**(48)**
(2,907)	Capital Receipts used during the year	**(954)**
9,934	Balance carried forward	**11,215**

50. Earmarked Reserves

The Council has established a number of reserves, earmarked for capital and revenue purposes as follows: -

For capital purposes	Balance 1 April 2010 (restated) £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	**Balance 31 March 2011 £'000**
(a) Vehicle Fleet Replacement	1,274	2,304	(1,571)	**2,007**
Total Capital Reserves	**1,274**	**2,304**	**(1,571)**	**2,007**
For revenue purposes	Balance 1 April 2010 (restated) £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	**Balance 31 March 2011 £'000**
(b) Capital Financing	2,298	-	(380)	**1,918**
(c) PFI Reserves	5,341	1,627	-	**6,968**
(d) Medium Term Strategy	4,463	138	(139)	**4,462**
(e) Insurance Reserve	7,794	1,459	(402)	**8,851**
(f) Trading Account Reserves	1,693	1,471	(1,368)	**1,796**
(g) Innovation Fund	761	249	(28)	**982**
(h) Other Reserves	1,260	1,428	(494)	**2,194**
(i) Reserves from IFRS transition	56,369	34,909	(48,586)	**42,690**
Total Revenue Reserves	**79,979**	**41,281**	**(51,397)**	**69,861**
Total Earmarked Reserves	81,253	43,585	(52,968)	**71,868**

(a) Vehicle Fleet Replacement Reserve

The Council operates a vehicle fleet replacement reserve funded by way of depreciation charges based on the value and estimated life of vehicles.

(b) Capital Financing

Specific reserves have been established to fund future capital schemes where funding for individual projects is dependent upon specific earmarked contributions.

(c) PFI Reserve

This reserve is a sinking fund held for replacement furniture & equipment, and to cover additional costs of any future legislative changes.

(d) Medium Term Financial Strategy

This reserve was set up in 2007-08 to provide funding for Adult Social Care and to provide continued support the Council's 'Fit for the Future' programme.

(e) Insurance Reserve

This is in addition to the provision referred to above, to cater for any claims not covered by the provision.

(f) Trading Account Reserves

The balance held in this reserve incorporates the amount unapplied on the internal trading undertakings appropriation accounts.

(g) Innovation Fund

This reserve was set up to fund one-off expenditure that would deliver future savings.

(h) Other Reserves

Various reserves have been created, the main purposes of which are the replacement or purchase of items of plant or equipment, or to smooth the cost of building repair and maintenance across financial years.

(i) Reserves from IFRS transition

Various reserves have been created as a result of transition to IFRS. This is because new treatment is required for grant/contribution income which has not yet been spent, but for which the conditions of receiving the grant had been fulfilled. Under the SORP, such funding was treated as creditors/receipts in advance (deferred income) and shown in the short-term creditors line on the balance sheet. Under the IFRS-based Code, such income is shown in full in the Comprehensive Income and Expenditure Statement, then transferred to these reserves. This line is disclosed separately for this first year of transition to IFRS.

51. Movement in balances

Total balances increased by £8.5m during the year to £30.4m. There was a net underspend of £5.5m on revenue budgets subject to cost centre management arrangements. This is included within the general balances figures in this analysis.

2009/10 (restated) £'000		2010/11 General £'000	LMS* £'000	Retained Schools £'000	Capital £'000	Total £'000
(26,180)	Brought forward	(12,056)	(6,977)	(3)	(2,781)	**(21,817)**
22,293	Use in year	4,190	6,977	3	(54)	**11,116**
(17,930)	Outturn	(4,759)	(8,740)	(1,005)	(5,160)	**(19,664)**
(21,817)	Carried Forward	(12,625)	(8,740)	(1,006)	(7,994)	**(30,365)**

* LMS - balances held on behalf of schools under the scheme for Local Management of Schools (includes Schools' contingency)

52. Movement on the General Fund Balance

The Comprehensive Income and Expenditure Account is shown on pages 29 and 30. Amounts charged in the Comprehensive Income and Expenditure Statement now use essentially the same accounting conventions as private companies, i.e. International Financial Reporting Standards. The surplus or deficit on the Comprehensive Income and Expenditure Statement is the IFRS measure of a body's financial performance.

However, in determining a Local Authority's budget requirement and movement on the General Fund (and hence the level of Council Tax), there are other items which must be taken into account in accordance with statutory or non-statutory proper practices.

Amounts included in the Comprehensive Income and Expenditure Statement in accordance with IFRS, but which are excluded when determining the Movement on the General Fund are depreciation and impairment of fixed assets, deferred charges, the net gain or loss on the sale of fixed assets and adjustment to pensions costs in accordance with IAS19 (formerly FRS17).

Amounts not included in the Comprehensive Income and Expenditure Statement, but which are required to be included when determining the Movement on the General Fund are the statutory provision for the repayment of debt, capital expenditure charged to the General Fund and any transfer to or from earmarked reserves. These additional amounts are detailed in the Statement of Movement In Reserves shown on page 33.

Notes to the Cash Flow Statement

53. Movement in cash and cash equivalents

This table reconciles the net revenue account surplus or deficit to the net increase or decrease in cash.

2009/10 (restated) £'000	£'000		2010/11 £'000	£'000
	(4,364)	**Net Surplus / (Deficit) on Revenue Account**		**8,548**
		Movement in accruals items:-		
(153)		Long Term Debtors	**1,159**	
(131)		Stocks	**467**	
(17,268)		Debtors	**20,905**	
(4,415)		Creditors	**(176)**	
2,005		Provisions	**114**	
	(19,962)			**22,469**
		Movement in non-cash items :-		
(11,168)		Capital Accounts	**(41,403)**	
1,011		Collection Fund Adjustment Account	**352**	
18,575		Earmarked Reserves	**(9,737)**	
721		Capital Receipts Reserve	**1,281**	
	9,139			**(49,507)**
		Movement in financing items:-		
28		Short Term Borrowing	**15,029**	
(20,620)		Long Term Borrowing	**4,350**	
3,882		Short Term Lending	**(383)**	
5,000		Long Term Lending	**2,500**	
	(11,710)			**21,496**
	(26,897)	**Increase / (Decrease) in Cash**		**3,006**

54. Movement in net funds

Net funds are cash and other liquid resources (e.g. temporary investments), less borrowings.

	Balance 2009/10 £'000	Movement in year £'000	**Balance 2010/11 £'000**
Cash in hand and at bank	16,099	3,006	**19,105**
Temporary investments and borrowing	30,778	(14,646)	**16,132**
Long Term Investments	20,000	(2,500)	**17,500**
Long Term Borrowing	(142,615)	(4,350)	**(146,965)**
	(75,738)	**(18,490)**	**(94,228)**

55. Movement in liquid resources

Liquid resources are current assets that are readily convertible into known amounts of cash.

2009/10 £'000		**2010/11 £'000**
35,280	Temporary Investments as at 1 April	**31,398**
5,000	Transfer to long term investments	**2,500**
(8,882)	Increase / (Decrease) in Loans in the Period	**(2,116)**
31,398	Temporary Investments as at 31 March	**31,782**

Reconciliation of 31/03/2009 Published Balance Sheet to Restated 31/03/09 Balance Sheet in the 2010/11 Financial Statements

This Appendix sets out the impact of the transition to IFRS on the 31/03/2009 Balance Sheet that was published in the 2009/10 Financial Statements (as the preceding year's comparative figure).

First-time adoption of IFRS means the opening position for the preceding year must be restated as well as restating the preceding years transactions and closing balances. This is because the cumulative impact of the changes in accounting up until 31/03/2009 must be calculated and processed in the accounts as if they were actually processed in those periods. This means that the closing Balance Sheet for 2008/09 (and hence the opening Balance Sheet for 2009/10) will be significantly different from that which was published using the SORP.

Each of the columns relates to adjustments disclosed in note 1, where more information and analysis can be found. This Appendix, and Appendix 2 are published for the purposes of documenting a clear trail from the published figures to the restated figures.

Item	Published Balances at 31/03/2009 in 2009/10 Statements £'000	Short Term Accumulating Compensated Absences £'000	Leases £'000	Government Grants £'000	Provisions Reclassification £'000	VC Schools on balance sheet £'000	Restated 01/04/2009 Balance Sheet in 2010/11 Statements £'000
Intangible Assets	5,603						**5,603**
Tangible Fixed Assets							
Operational Assets							
Land and Buildings	414,416		2,257			134,245	**550,918**
Vehicles, Plant, Furniture & Equipment	9,468		2,611				**12,079**
Infrastructure Assets (e.g. highways)	183,445						**183,445**
Community Assets (e.g. country parks)	3,393						**3,393**
Non-operational Assets							
Assets under construction	18,885						**18,885**
Surplus Assets	7,174						**7,174**
Long term Investments	25,000						**25,000**
Long term Debtors	4,674		389				**5,063**
	672,058	0	5,257	0	0	134,245	**811,560**
Current Assets							
Stocks and Work in Progress	863						**863**
Debtors and Payments in Advance	54,794						**54,794**
Temporary Investments	35,280						**35,280**
Cash in hand	60,201						**60,201**
Current Liabilities							
Short Term Borrowing	(592)						**(592)**
Creditors and Receipts in Advance	(99,722)	(7,938)		38,538			**(69,122)**
Provisions	0				(3,456)		**(3,456)**
Bank Overdrawn	(17,251)						**(17,251)**
Net Current Assets	33,573	(7,938)	0	38,538	(3,456)	0	**60,717**
Total Assets less Current Liabilities	705,631	(7,938)	5,257	38,538	(3,456)	134,245	**872,277**
Long Term Borrowing	(163,235)						**(163,235)**
Long Term PFI Liability	(22,068)						**(22,068)**
Other Long-Term Liabilities	0						**0**
Obligations Under Finance Leases	0		(5,522)				**(5,522)**
Provisions	(3,456)				3,456		**0**
Capital Grants Receipts in Advance	(60,782)			60,782			**0**
Pensions Asset / (Liability)	(207,878)						**(207,878)**
TOTAL NET ASSETS/(LIABILITIES)	248,212	(7,938)	(265)	99,320	0	134,245	**473,574**
Financed by :-							
Capital Adjustment Account	(339,283)		(145)	(60,782)		(134,245)	**(534,455)**
Collection Fund Adjustment Account	(1,010)						**(1,010)**
Accumulated Absences Account	0	7,938					**7,938**
Capital Grants Unapplied Account	0			(5,204)			**(5,204)**
Revaluation Reserve	(50,651)						**(50,651)**
Financial Instrument Adjustment Acc't	(1,008)						**(1,008)**
Usable Capital Receipts Reserve	(9,623)		410				**(9,213)**
Pensions Reserve	207,878						**207,878**
Earmarked Reserves	(28,335)			(33,334)			**(61,669)**
General Fund Balance	(26,180)						**(26,180)**
	(248,212)	7,938	265	(99,320)	0	(134,245)	**(473,574)**

Reconciliation of 31/03/2010 Published Balance Sheet to Restated 31/03/10 Balance Sheet in the 2010/11 Financial Statements

The purpose of this Appendix is to set out the cumulative impact that the transition to IFRS has had upon the 31/03/2010 Balance Sheet that was published in the 2009/10 Financial Statements.

First-time adoption of IFRS means that the cumulative impact of the changes in accounting up until 31/03/2010 must be calculated and processed in the accounts as if they were actually processed in those periods. This means that the closing Balance Sheet for 2008/09 (and hence the opening Balance Sheet for 2009/10) will be significantly different from that which was published using the SORP. This was set out in Appendix 1. This Appendix covers changes that have been made to the 31/03/2010 Balance Sheet resulting from IFRS implementation.

Each of the columns relates to adjustments disclosed in note 1, where more information and analysis can be found. This Appendix, and Appendix 1 are published for the purposes of documenting a clear trail from the published figures to the restated figures.

Item	Revised Balances at 31/03/2009 £'000	Movements reported in the 2009/10 Statements £'000	Short Term Accumulating Compensated Absences £'000	Leases £'000	Government Grants £'000	Provisions Reclassification £'000	Restated Balance Sheet in 2010/11 Statements £'000
Intangible Assets	5,603	(2,008)					**3,595**
Tangible Fixed Assets							
Operational Assets							
Land and Buildings	550,918	3,705		(84)			**554,539**
Vehicles, Plant, Furniture & Equipment	12,079	(2,857)		(640)			**8,582**
Infrastructure Assets (e.g. highways)	183,445	11,055					**194,500**
Community Assets (e.g. country parks)	3,393	139					**3,532**
Non-operational Assets							
Assets under construction	18,885	65,208					**84,093**
Surplus Assets	7,174	(884)					**6,290**
Long term Investments	25,000	(5,000)					**20,000**
Long term Debtors	5,063	198		(45)			**5,216**
	811,560	69,556	0	(769)	0	0	**880,347**
Current Assets							
Stocks and Work in Progress	863	131					**994**
Debtors and Payments in Advance	54,794	12,873					**67,667**
Temporary Investments	35,280	(3,882)					**31,398**
Cash in hand	60,201	(16,513)					**43,688**
Current Liabilities							
Short Term Borrowing	(592)	(28)					**(620)**
Creditors and Receipts in Advance	(69,122)	(23,353)	(1,983)		30,406		**(64,052)**
Provisions	(3,456)	(262)				240	**(3,478)**
Bank Overdrawn	(17,251)	(10,338)					**(27,589)**
Net Current Assets	60,717	(41,372)	(1,983)	0	30,406	240	**48,008**
Total Assets less Current Liabilities	872,277	28,184	(1,983)	(769)	30,406	240	**928,355**
Long Term Borrowing	(163,235)	20,620					**(142,615)**
Long Term PFI Liability	(22,068)	(6,593)					**(28,661)**
Other Long-Term Liabilities	0						**0**
Obligations Under Finance Leases	(5,522)			693			**(4,829)**
Provisions	0						**0**
Capital Grants Receipts in Advance	0	(44,597)			44,597		**0**
Pensions Asset / (Liability)	(207,878)	(247,124)					**(455,002)**
TOTAL NET ASSETS/(LIABILITIES)	473,574	(249,510)	(1,983)	(76)	75,003	240	**297,248**
Financed by :-							
Capital Adjustment Account	(534,455)	11,219		31	(44,597)		**(567,802)**
Collection Fund Adjustment Account	(1,010)	(674)					**(1,684)**
Accumulated Absences Account	7,938		1,983				**9,921**
Capital Grants Unapplied Account	(5,204)				(7,371)		**(12,575)**
Revaluation Reserve	(50,651)	(15,209)					**(65,860)**
Financial Instrument Adjustment Acc't	(1,008)	(238)					**(1,246)**
Usable Capital Receipts Reserve	(9,213)	(766)		45			**(9,934)**
Pensions Reserve	207,878	247,124					**455,002**
Earmarked Reserves	(61,669)	3,702			(23,035)	(240)	**(81,242)**
General Fund Balance	(26,180)	4,352					**(21,828)**
	(473,574)	249,510	1,983	76	(75,003)	(240)	**(297,248)**

FUND ACCOUNT

2009/10 £'000	2009/10 £'000		Note	2010/11 £'000	2010/11 £'000
		Contributions			
66,637		Employers, normal		**69,382**	
1,528		Employers, other		**3,085**	
26,218	94,383	Employees, normal		**26,472**	**98,939**
	9,649	**Individual transfers from other schemes**			**12,078**
	104,032	**Total Income**			**111,017**
		Benefits			
56,329		Pensions		**58,538**	
13,670		Commutations & Retirement Grants		**18,178**	
950	70,949	Death Benefits		**1,773**	**78,489**
		Payments to and on account of leavers			
12		Refunds of Contributions		**10**	
(3)	9	State Scheme Premiums		**(1)**	**9**
	6,021	**Individual transfers to other schemes**			**9,053**
	1,143	**Administrative & Other Expenses**			**1,402**
	25,910	**Net additions / (withdrawals) - dealings with members**			**22,064**
		Returns on Investments *			
12,774		Dividends from equities		**14,775**	
4,592		Rents from properties		**6,343**	
575		Interest		**504**	
222		Other investment income		**209**	
		Change in market value of investments			
(6,892)		Profits realised and reinvested		**(5,243)**	
374,460		Variation in valuation account		**111,032**	
1,116		**Investment management expenses**		**(1,888)**	
see note 2		**Investment transactions costs**		**(262)**	
	386,847	**Net Return on Investments**			**125,470**
	412,757	**Net increase / (decrease) in fund during the year**			**147,534**
	999,109	**Opening net assets 1 April**			**1,411,866**
	1,411,866	**Closing Net Assets 31 March**			**1,559,400**

* The absence of fixed interest income is a result of all of the Fund's fixed interest holdings in this category of investment being held in Pooled Investment Vehicles. These vehicles retain income within their structure and consequently are not separately identified in the financial statements but are reflected in the valuation of the units in that pooled investment.

NET ASSETS STATEMENT

31 March 2010 £'000	31 March 2010 £'000		Note	31 March 2011 £'000	31 March 2011 £'000
		Investments at market value			
295,755		UK equities - Quoted		**314,248**	
282,120		Overseas equities - Quoted		**299,356**	
587,214		Pooled Investment Vehicles		**640,741**	
48,472		Absolute Return (Hedge) Funds		**53,369**	
27,262		Private Equity		**39,029**	
59,400		Property		**80,400**	
38,000		Temporary investments		**84,674**	
1,971		Other Investment Asset Balances		**2,991**	
		Investments liabilities			
-		Forward Foreign Exchange		**-**	
(5,914)		Other Investment Liability Balances		**(2,288)**	
	1,334,280		*6*		**1,512,520**
		Current Assets			
15,731		Debtors and Payments in Advance		**10,190**	
79,020		Cash in hand		**41,980**	
		Current Liabilities			
(17,165)		Creditors and Receipts in Advance		**(5,290)**	
-		Bank overdrawn		**-**	
	77,586				**46,880**
	1,411,866	**Net Assets as at 31 March**			**1,559,400**

The above Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the fund's transactions during the year and the position as at 31 March 2011. The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2010-11 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

No single holding represents more than 5% of the Net Asset Value of the fund.

1. GENERAL

The Dorset County Pension Fund is a Local Government Pension Scheme governed by statute. The County Council administers the Fund on behalf of most of its own full time and a significant number of part-time staff. Employees of other local authorities within the County (known as scheduled bodies), including the Unitary, District and Borough Councils, and Police and Fire non-uniformed staff are also in the scheme. The uniformed police and fire services and teachers have their own unfunded schemes. The scheduled bodies are as follows: -

Alderholt Parish Council	Colehill Parish Council	Kingston Maurward College	Stalbridge Primary School
Avonbourne School	Corfe Hills School	Lyme Regis Town Council	Sturminster Newton PC
Beaucroft School	Corfe Mullen Parish Council	Lytchett Minster & Upton TC	Swanage Town Council
Bishop of Winchester Academy	Dorchester Joint Burial C'ttee	Lytchett Minster School	The Bicknell School
Blandford Town Council	Dorchester Town Council	Marnhull Parish Council	Verwood Parish Council
Bourne Academy	Dorset CC - Post LGR	Montacute School	Verwood Town Council
B'm'th & Poole College Of FE	Dorset CC - Pre LGR	North Dorset District Council	Wareham Burial Joint C'ttee
Bournemouth Airport PLC	Dorset CC Health	Parkstone Grammar School	Wareham St. Martin PC
Arts Univ College at Bournemo	Dorset CC Magistrates	Poole Borough Council	Wareham Town Council
Bournemouth Borough C'ncil	Dorset CC Motor Tax	Poole Grammar School	Wessex Water Authority
Bournemouth Health	Dorset CC Probation	Poole Housing Partnership	West Dorset District Council
Bournemouth Motor Tax	Dorset Fire & Rescue Service	Poole High School	West Moors Parish Council
Bournemouth School	Dorset Police Authority	Portland Town Council	West Parley Parish Council
Bournemouth School for Girls	Dorset Valuation Panel	Purbeck District Council	Westfield School
Bournemouth Transport Ltd	East Dorset District Council	Shaftesbury Town Council	Weymouth & Portland BC
Bournemouth University	East Lulworth Parish Council	Sherborne Town Council	Weymouth College
Bradpole Parish Council	Ferndown Town Council	Shillingstone School	Wimborne Burials Joint C'tee
Bridport Town Council	Fontmell Magna School	South Dorset Assess't C'ttee	Wimborne Town Council
Budmouth School	Gillingham Town Council	St Aldhelms Academy	Woodroffe School
Chickerell Town Council	Highcliffe Comprehensive	St. Peters School	Wool Parish Council
Christchurch Borough Council	Highcliffe St. Mark's Primary	St. Walburgas RC School	

In addition to the scheduled bodies, there are a number of 'admitted' bodies. These are mainly charities and external employers who have taken over certain functions of the administering or scheduled bodies and the relevant staff employed on those functions.

As the administering body the County Council has responsibilities which include the collection of contributions, investment of surplus funds, payment of pension benefits, managing the fund valuation, monitoring all aspects of performance and managing communications with employers, members and pensioners.

The above responsibilities are carried out by a committee comprising elected members of the County Council and other local authorities together with a scheme member representative(nominated by the unions). Day to day administration of the fund's activities is carried out by several teams of officers headed by the Fund Administrator.

2. ACCOUNTING POLICIES

The accounts have been prepared for the first time to comply with the EU - adopted IFRS Standard. The main impact of which is the requirement to comply with IAS26 - the disclosure of total fund liabilities, IAS39 - financial instruments , recognition and measurement (incl disclosure of transaction costs) and IFRS7 - Financial Instruments: Disclosures, the disclosure of risk and pricing hierarchy.

Contributions : Contributions have been accounted for on an accrual basis based on the date of deductions from pay. This includes employers normal and deficit amounts and employee normal including additional payments. Employers other contributions for early retirement costs are accrued for based on the date of retirement.

Transfer Values: Transfer values both in and out are accounted for on a cash basis as the date of payment or receipt is deemed to be the time at which any liability is accepted or discharged

Investment income: UK dividends are accrued on an ex dividend basis in accordance with the SORP. Overseas dividends and interest on cash balances with custodians are however dealt with on a cash basis due to the lack of availability of timely detailed information.

Transaction Costs: For the 2010-11 Accounts transaction costs on the acquisition and disposal of investments held in segregated portfolios are disclosed separately on the face of the Fund Account. Transaction costs incurred on purchases and sales in Pooled Investment Vehicles are not separately identifiable and are reflected in the valuation of the holding. In the 2009-10 Accounts all transaction costs were capitalised and where identifiable were disclosed in the notes to the accounts

Investments: Investments with a stock exchange listing are valued at bid prices as at the date of the Net Asset Statement. Pooled Investment Vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads, as provided by the fund manager.
As at 31 March 2011 the Pioneer Pooled Investment Vehicle included within the Net Asset Statement continues to impose redemption restrictions during its restructuring which commenced in 2008-09. The Pension Fund's holding in Pioneer is included in the Net Asset Statement at market value in accordance with the policy for Pooled Investments stated above. The Pension Fund is redeeming its holding in Pioneer and has received the proceeds of a proportion of the holding with the balance to be received in tranches as liquidity permits.

Unquoted securities are included at an estimated fair value based on advice from the investment manager.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open Forward foreign exchange contracts as at 31 March 2011.

All foreign currencies are translated at the rate ruling at the net assets statement date.
Where investments with a bid price is available this has been used as a basis for valuation.

Direct Holdings of Property were valued by professionally qualified staff of Atis Real UK as at 31 March 2011.This was carried out on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. ING Real Estate Investment Management is the appointed Fund Manager and AtisReal UK are the independently appointed valuers. A copy of the valuation is available for inspection on request.

3. ACTUARIAL POSITION

An Actuarial Valuation was carried out as at 31 March 2010 by the Fund’s Actuary, Barnett Waddingham, and changes in contribution rates as a result of that valuation take effect from 1 April 2011. The contribution rates for each employer in the accounting period covered by these accounts were set by the 2007 valuation.
A summary of the 2010 Valuation is shown below.

2010 Valuation

The 2010 valuation resulted in a common contribution rate of 18.5% of payroll to be paid by each employing body participating in the Dorset County Pension Fund. In addition to this each employing body pays an individual adjustment to reflect its own particular circumstances and funding position within the Fund.

Contribution Rates

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date.

The contribution rates were calculated using the Projected Unit Method taking account of market conditions at the valuation date.

Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31 March 2010 was £1,402m which represented 79% of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

Financial Assumptions

To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date. The key assumptions were as follows: -

Rate of return on investments	6.90%	per annum
Rate of increases in pay	4.70%	per annum
Rate of increases to pensions in payment	3.00%	per annum

The next valuation is due as at 31 March 2010.

4. MEMBERSHIP

Under the LGPS scheme effective 1 April 2008 membership of the Fund is in general available to staff who have a contract of employment of more then three months with additional conditions applying to casual employees.

Employees of Scheduled bodies have the right to join the scheme and membership is automatic. Membership for employees of Designating bodies is also automatic but subject to the employer having opted for employees in general to be eligible to join the scheme while at Admitted bodies employees must elect to join but again subject to the employer having opted for employees to be eligible. All employees subject to automatic membership can opt out of the scheme.

Membership of the new LGPS scheme is now offered to teachers, police officers and firefighters where membership of their normal scheme may not be available to them.

2009/10		2010/11
	Contributors	
9,785	Dorset County Council	**9,270**
13,271	Scheduled Bodies	**12,695**
901	Admitted Bodies	**1,292**
23,957		**23,257**
	Pensioners	
5,480	Dorset County Council	**5,706**
7,498	Scheduled Bodies	**7,907**
689	Admitted Bodies	**761**
13,667		**14,374**

In addition there are 14567 contributors (13,853 in 2009/10) who have entitlement to a benefit at some time in the future. These numbers are updated periodically from employers' returns.

5. EMPLOYER CONTRIBUTIONS

The normal contributions made by employers consist of two elements. One to fund pensions on future service and the other to meet deficits existing on past service costs. The triennial valuation of the fund sets a combined total contribution rate for individual employers and for various pooled groups of employers

The average contribution rates for 2010-11 set by the 2007 valuation were 14% for future service and 2.1% for deficit funding. These rates reflect funding levels at the valuation date of 92.5% (funding level was 79% at the 2010 valuation) and assumes full deficit recovery over a 20 year period although for a small number of employers actual rates were based on a shorter recovery period.

Set out below is an analysis of the employers normal contributions : -

2009/10		2010/11
£'000		**£'000**
57,470	Contributions re Future Service Costs	**59,811**
8,620	Contributions re Past Service Costs	**8,972**
547	Employer's Voluntary Additional Contributions	**599**
66,637	Total Contributions	**69,382**

Other Employers contributions (£3,085k) are amounts paid by employers to the Fund to meet the capital costs of early retirements

6. RECONCILIATION OF INVESTMENTS HELD AT BEGINNING AND END OF YEAR

The following table gives details of purchases, sales and changes in the market valuation of investments in the fund during the year.

	Value 1 April 2010 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	**Value 31 March 2011 £'000**
UK equities - Quoted	295,755	8,629	6,519	16,382	**314,247**
Overseas equities - Quoted	282,120	90,842	92,846	19,240	**299,356**
Pooled Investment Vehicles	587,214	223,044	225,176	55,659	**640,741**
Absolute Return (Hedge) Funds	48,472	6,000	0	(1,102)	**53,370**
Private Equity	27,262	9,088	1,101	3,780	**39,029**
Property	59,400	30,341	10,715	1,374	**80,400**
Forward Foreign Exchange	0	84	10,431	10,347	**-**
	1,300,223	368,028	346,788	105,680	**1,427,143**
		Cash Movement in year			
Temporary investments	38,000		46,674		**84,674**
	1,338,223				**1,511,817**

Included within the above purchases and sales figures are transaction costs of £211,236. (Internally Managed UK Equities £19,609, TCW £27,816, Pictet £163,811. Information regarding transaction costs for Janus Intech are not available specifically for the Dorset Investment). Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

7. CONTINGENT ASSETS AND LIABILITIES

On 1st April 2005 Magistrates Courts staff were transferred to the Department for Constitutional Affairs, and were no longer eligible to be active members of the Local Government Pension Scheme (LGPS). Employees had the option to transfer previous LGPS service to the Civil Service Scheme or leave the service in the LGPS as a deferred pension.

Agreement was reached between the Government Actuary's Department (GAD) and the local authority actuaries on the terms for calculating the bulk transfer value for those moving their service to the Civil Service Scheme and the amount to be required by the Fund to meet the liability relating to those ex-Magistrates employees receiving pensions and those with deferred pensions. The potential bulk transfer value has been determined by the Fund's actuary. The latest assessment as at 3 March 2011, which calculates that a payment is due to the Fund, is currently with the Government Actuary's Department awaiting their response. The actuary continues to regularly engages with GAD in order to facilitate a final settlement. The current expectation is that payment to the Fund will commence in 2011-12 and be made in annual instalments over 10 years. The actual amount varies with market conditions but the latest figure the actuary has is £6.48M.

The Pension Fund is continuing the process commenced in 2008-09 required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March do not reflect any potential recovery of tax.

As reported in the 2009-10 Accounts on 31 March 2009 Convex Leisure ceased being an employer member of the Pension Fund. The actuary has now completed a review of the financial position which has resulted in the deficit on the employees concerned reverting back to the original outsourcing employer.

8. FINANCIAL RISK MANAGEMENT

The activities of Dorset County Pension Fund are exposed to a variety of financial risks; market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. During the year ended 31 March 2011, investments were held by Pictet et Cie Banquiers and HSBC Global Investor Services, who acted as custodians on behalf of the Dorset Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Dorset County Pension Fund's Investment Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Dorset County Pension Fund Investment Committee obtains regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and associated risks.

The Fund is exposed to interest rate risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 7 Financial Instruments: Disclosures and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

(a) Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Pension Fund Investment Committee.

(a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Investment Managers mitigate this risk through diversification in line with their own investment strategies.

(a) (i) Other Price Risk - Sensitivity Analysis

Following analysis of data from HSBC Performance Measurement and Risk Services, it has been determined that the following movements in market price risk were reasonably possible for the 2010/11 reporting period:

Internally Managed UK Equities	15.00%
Axa Framlington UK Equities	20.00%
Schroders UK Equities	20.00%
Standard Life UK Equities	25.00%
Pictet Global ex UK Equity	20.00%
Janus Intech US Equity	20.00%
HarbourVest Private Equity	10.00%
Standard Life Private Equity	20.00%
Royal London Bonds	15.00%
Gottex Hedge Funds	15.00%
IAM Hedge Funds	15.00%
Pioneer Hedge Funds	10.00%
ING Property	20.00%
Temporary Investments	0.00%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

The increase or decrease in the market price against the investments of the Fund at 31 March would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2011	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Internally Managed UK Equities	314,247	15.00%	47,137	(47,137)
Axa Framlington UK Equities	70,412	20.00%	14,082	(14,082)
Schroders UK Equities	20,839	20.00%	4,168	(4,168)
Standard Life UK Equities	58,542	25.00%	14,635	(14,635)
Pictet Global ex UK Equity	360,425	20.00%	72,085	(72,085)
Janus Intech US Equity	58,137	20.00%	11,627	(11,627)
HarbourVest Private Equity	24,214	10.00%	2,421	(2,421)
Standard Life Private Equity	14,815	20.00%	2,963	(2,963)
Royal London Bonds	308,730	15.00%	46,310	(46,310)
Gottex Hedge Funds	29,971	15.00%	4,496	(4,496)
IAM Hedge Funds	53,370	15.00%	8,005	(8,005)
Pioneer Hedge Funds	4,300	10.00%	430	(430)
ING Property	109,141	20.00%	21,828	(21,828)
Temporary Investments	84,674	0.00%	-	-
Total	**1,511,817**		**250,188**	**(250,188)**

As at 31 March 2010	Value £'000	Percentage Change	Increase £'000	Decrease £'000
Internally Managed UK Equities	295,755	15.00%	44,363	(44,363)
Axa Framlington UK Equities	57,833	20.00%	11,567	(11,567)
Schroders UK Equities	14,952	20.00%	2,990	(2,990)
Standard Life UK Equities	56,285	25.00%	14,071	(14,071)
Pictet Global ex UK Equity	332,785	20.00%	66,557	(66,557)
Janus Intech US Equity	27,364	20.00%	5,473	(5,473)
TCW US Equity	25,748	21.33%	5,492	(5,492)
HarbourVest Private Equity	17,072	10.00%	1,707	(1,707)
Standard Life Private Equity	10,191	20.00%	2,038	(2,038)
ECM Bonds	123,363	20.00%	24,673	(24,673)
Royal London Bonds	158,758	15.00%	23,814	(23,814)
Gottex Hedge Funds	18,727	15.00%	2,809	(2,809)
IAM Hedge Funds	48,472	15.00%	7,271	(7,271)
Pioneer Hedge Funds	6,451	10.00%	645	(645)
ING Property	85,581	20.00%	17,116	(17,116)
Auriel Active Currency	9,221	27.61%	2,546	(2,546)
Record Active Currency	11,666	31.64%	3,691	(3,691)
Temporary Investments	117,021	0.00%	-	-
Total	**1,417,245**		**236,823**	**(236,823)**

(a) (ii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements on those investments at 31 March 2011 and 2010 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	31/03/2011 £'000	31/03/2010 £'000
Cash and Cash Equivalents	41,979	79,021
Fixed Interest	383,405	282,120
Loans	10,000	38,000
Total	435,384	399,141

(a) (ii) Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2010.

An increase or decrease of 100 basis points in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2011	Value £'000	Change for the year in net assets available to	
		+100 BPS	-100 BPS
Cash and Cash Equivalents	41,979	420	(420)
Fixed Interest	383,405	3,834	(3,834)
Loans	10,000	100	(100)
Total	**435,384**	**4,354**	**(4,354)**

As at 31 March 2010	Value £'000	Change for the year in net assets available to	
		+100 BPS	-100 BPS
Cash and Cash Equivalents	79,021	790	(790)
Fixed Interest	282,120	2,821	(2,821)
Loans	38,000	380	(380)
Total	**399,141**	**3,991**	**(3,991)**

(a) (iii) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Great British Pound) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to partially eliminate the currency exposure of these overseas investments (50%). The below exposures are net of this 50% hedge. The Fund also hedges 100% of it's exposure to the US Dollar generated by the holding in the IAM Hedge Fund, which is denominated in US Dollars. There were no open contracts as at 31 March 2011.

The following tables summarise the Fund's exposure at 31 March 2011 to currency exchange rate movements on its investments.

	USD/GBP	EUR/GBP	JPY/GBP	CHF/GBP	CAD/GBP
As at 31 March 2011	£'000	£'000	£'000	£'000	£'000
Assets held at fair value	200,681	36,961	19,119	14,951	8,442
FX Contracts	0	0	0	0	0
Net Currency Exposure	**200,681**	**36,961**	**19,119**	**14,951**	**8,442**

	SEK/GBP	SGD/GBP	KRW/GBP	AUS/GBP	HKD/GBP
As at 31 March 2011	£'000	£'000	£'000	£'000	£'000
Assets held at fair value	961	891	662	604	590
FX Contracts	0	0	0	0	
Net Currency Exposure	**961**	**891**	**662**	**604**	**590**

	FIM/GBP	NOK/GBP	CNY/GBP	DKK/GBP
As at 31 March 2011	£'000	£'000	£'000	£'000
Assets held at fair value	313	204	169	0
FX Contracts	0	0	0	0
Net Currency Exposure	**313**	**204**	**169**	**0**

	USD/GBP	EUR/GBP	JPY/GBP	CHF/GBP	CAD/GBP
As at 31 March 2010	£'000	£'000	£'000	£'000	£'000
Assets held at fair value	186,415	37,714	21,062	5,359	7,112
FX Contracts	0	0	0	0	0
Net Currency Exposure	**186,415**	**37,714**	**21,062**	**5,359**	**7,112**

	SEK/GBP	SGD/GBP	KRW/GBP	AUS/GBP	HKD/GBP
As at 31 March 2010	£'000	£'000	£'000	£'000	£'000
Assets held at fair value	763	0	0	1,148	0
FX Contracts	0	0	0	0	
Net Currency Exposure	**763**	**0**	**0**	**1,148**	**0**

	FIM/GBP	NOK/GBP	CNY/GBP	DKK/GBP
As at 31 March 2010	£'000	£'000	£'000	£'000
Assets held at fair value	995	823	0	576
FX Contracts	0	0	0	0
Net Currency Exposure	**995**	**823**	**0**	**576**

(a) (iii) Currency Risk - Sensitivity Analysis

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out below.

These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years.

The Fund has in place a 50% passive currency hedge for overseas equities investments to mitigate the affect of fluctuations in movements in foreign exchange rates, this is detailed in the analysis below.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2010.

A strengthening or weakening of the GBP against the various currencies by one standard deviation (measured in percentages below) at 31 March 2011 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2011	Percentage Change	Change for the year in net assets available to pay benefits	
		+ 1 Standard Deviation	- 1 Standard Deviation
		£'000	£'000
USD	4.26%	8,542	(8,542)
EUR	3.20%	1,182	(1,182)
JPY	5.70%	1,089	(1,089)
CHF	3.21%	480	(480)
CAD	2.40%	203	(203)
SEK	0.34%	3	(3)
SGD	2.13%	19	(19)
KRW	2.26%	15	(15)
AUD	2.89%	17	(17)
HKD	0.55%	3	(3)
FIM	Not available	N/a	N/a
NOK	0.39%	1	(1)
CNY	0.60%	1	(1)
DKK	0.43%	-	-
Total		**3,013**	**(3,013)**

As at 31 March 2010		Change for the year in	
		+ 1 Standard Deviation	- 1 Standard Deviation
		£'000	£'000
USD	4.26%	7,935	(7,935)
EUR	3.20%	1,206	(1,206)
JPY	5.70%	1,200	(1,200)
CHF	3.21%	172	(172)
CAD	2.40%	171	(171)
SEK	0.34%	3	(3)
SGD	2.13%	-	-
KRW	2.26%	-	-
AUD	2.89%	33	(33)
HKD	0.55%	-	-
FIM	Not available	N/a	N/a
NOK	0.39%	3	(3)
CNY	0.60%	-	-
DKK	0.43%	2	(2)
Total		**2,790**	**(2,790)**

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of Temporary Investments and Bonds held in Pooled Investment Vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding.

The Fund's exposure to credit risk at 31 March 2011 is the carrying amount of the financial assets.

	31/03/2011	31/03/2010
	£'000	£'000
Temporary Investments	84,674	38,000
Bonds held in Pooled Investment Vehicles	308,730	282,120
	393,404	320,120

An analysis of the Fair Value of bonds held as at 31 March 2011 by credit grading within the credit risk is shown below.

Bond Rating		31/03/2011
	Percentage	£'000
Government bonds	36.80%	113,613
Corporate bonds:		
AAA	28.88%	89,169
AA	5.50%	16,975
A	13.27%	40,975
BBB	8.41%	25,951
BB or less	1.96%	6,049
Unrated	5.18%	16,000
Total		308,730

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a constant pool of cash.

The following table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount £'000	Less than 12 Months £'000	Greater than 12 Months £'000
Creditors and Receipts in Advance	7,578	7,578	-

(d) Fair Value Hierarchy

IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability (level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2011.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
UK Equities - Quoted	405,499			405,499
Overseas Equities - Quoted	299,356			299,356
Pooled Investment Vehicles	486,478	33,040	69,000	588,518
Absolute Return (Hedge) Funds		53,370		53,370
Property		80,400		80,400
Temporary Investments	84,674			84,674
Cash in hand	41,979			41,979
	1,317,986	166,810	69,000	1,553,796

Investments whose values are based on quoted market prices in active markets, are therefore classified within level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and / or are subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and / or non - transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value.

During the year ended 31 March 2011 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

Derivative Activity

The Fund does not engage in any direct derivative activity other than Forward Foreign Exchange contracts disclosed above. Pooled Investment Vehicles in which the Fund has investments do have a mandate to undertake other derivative activity but these are not reported in detail.

9. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

The following table shows the total contributions receivable and benefits payable, analysed between the administering authority (Dorset County Council), scheduled bodies and admitted bodies.

2009/10			**2010/11**	
Contributions £'000	Benefits £'000		**Contributions £'000**	**Benefits £'000**
32,645	25,172	Dorset County Council	**34,416**	**27,002**
57,145	41,787	Scheduled Bodies	**58,981**	**47,039**
4,593	3,990	Admitted Bodies	**5,542**	**4,448**
94,383	70,949		**98,939**	**78,489**

10. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The County Council administers an In-House AVC Scheme with two designated providers. The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Pension Fund Accounts.

Each employer in the Pension Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £393,852 in 2009-10 (£335,324 in 2009-10).

11. REVIEW OF INVESTMENT PERFORMANCE

At the time of going to press the performance data for the year is not available, however, the information in full will be reported to and analysed by the Pension Fund Investment Committee and then published in the Pension Fund Annual Report, which will be available later in the year.

12. INVESTMENTS

The principal powers to invest are contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details of these Regulations and all aspects relating to the investment of the Fund can be found in the Dorset County Pension Fund Annual Report & Accounts 2010-11, copies of which are available from the Chief Financial Officer Dorset County Council, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

13. STOCK LENDING

The fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £209,274, comprising £129,600 from UK equities and £79,674 from overseas, net of charges. The value of stock on loan as at 31 March 2011 was £115M, comprised of £95M in the UK and £20M overseas. This is secured by collateral worth £121M.

14. STATEMENT OF INVESTMENT PRINCIPLES

The Statement of Investment Principles was originally approved by the Investment Advisory Panel on 4 July 2000, and was most recently revised at the Committee meeting on 24 November 2010. A copy of the full statement can be found in the Pension Fund Annual Report and Accounts.

15. RELATED PARTIES

Related party issues arise primarily around the fact that the County Council is the Administering Authority for the Pension Fund. The County Council has various operational, contractual and financial dealings with a number of Scheduled and Admitted Bodies of the Pension Fund. These activities, however, do not relate to the County Council's role as Administering Authority.

The County Council remits contributions to the Fund monthly (£2.6M re the March contributions were due as at the 31 March 2011) and management and administration costs are incurred by the County and recharged to the Fund on an actual basis.This was £1.31m for 2010-11 and was due to DCC on 31 March.

In addition to normal debtor / creditor amounts as above at any given time there may be amounts which have been paid or received by both the County And the Pension Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the County and the Pension Fund. These are settled on a regular basis.

Senior officers of the Pension Fund are members of the Fund as employee contributors. As at 31 March 2011, two of the nine members of the Pension Fund Investment Committee were in receipt of pensions from the Fund and two were contributing members of the Fund.

16. MANAGEMENT ARRANGEMENTS AND POOLED INVESTMENTS ANALYSIS

Responsibility for the investment policy of the Fund rests with the Pension Fund Investment Committee, made up of County, Unitary and District councillors and a scheme member representative.

Day to day investment decisions are taken by the Chief Financial Officer (acting in this regard as 'Fund Administrator') in consultation with the external managers who advise on and are responsible for the portfolios detailed below.

2009/10					2010/11	
%	Market Value £'000	Portfolio	Manager	Type of Pooled Vehicle	**Market Value £'000**	**%**
		Segregated Investments				
22.1%	295,755	UK equities - Quoted			**314,247**	**20.8%**
			Corporate Resources Directorate			
21.1%	282,120	Overseas equities - Quoted			**299,356**	**19.8%**
			Pictet Asset Management, TCW, Intech			
3.6%	48,472	Absolute Return (Hedge) Funds			**53,370**	**3.5%**
			International Asset Management			
2.0%	27,262	Private Equity			**39,029**	**2.6%**
			HarbourVest, Standard Life			
4.4%	59,400	Property Portfolio			**80,400**	**5.3%**
			ING Real Estate Investment Management			
2.8%	38,000	Temporary investments			**84,674**	**5.6%**
			Corporate Resources Directorate			
		Pooled Investments				
21.1%	282,120	Fixed Interest			**308,730**	**20.4%**
			RLAM	Unit Linked Inv Fund - Life Policy		
5.4%	72,785	U.K. Equities - Listed			**91,251**	**6.0%**
			Axa Framlington	Unit Trust		
			Schroders	Unit Trust		
4.2%	56,285	U.K. Equities - Unlisted			**58,542**	**3.9%**
			JP Morgan	Life Fund		
			Standard Life	Trustee Inv Plan		
7.8%	103,776	Overseas Equity Portfolio - Unlisted			**119,206**	**7.9%**
			Pictet Asset Management	Luxemburg SICAV		
1.9%	25,179	Absolute Return Funds			**34,271**	**2.3%**
			Gottex Fund Management	Open Ended Fund		
			Pioneer Alternative Inv.	Mutual Fund		
2.0%	26,181	Property			**28,741**	**1.9%**
			ING REIM	Jersey Prop Unit Trust		
			ING REIM	UK Limited Partnership		
			ING REIM	Offshore Unit Trust		
			ING REIM	Onshore Ltd Partnership+Offshore UT		
1.6%	20,888	Currency				**0.0%**
			Auriel	Qualified Investor Fund		
			Record	Non UCITS Open Ended UT		
100.0%	1,338,223				**1,511,817**	**100.0%**

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Dorset County Council Pension Fund

IAS26 Disclosures as at 31 March 2011

21 June 2011

1. Introduction

We have been instructed by Dorset County Council, the Administering Authority to the Dorset County Pension Fund ("the Fund"), to provide pension disclosures in respect of pension benefits provided by the Local Government Pension Scheme ("the LGPS") to members of Dorset County Council Pension Fund ("the Fund") as at 31 March 2011.

This report is addressed to the Administering Authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures have been prepared in accordance with IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. It is contracted out of the State Second Pension.

2. Valuation Data

Data Sources

In completing our calculations for IAS26 purposes we have used the following items of data, which we received from Dorset County Council:

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2011;
- Estimated whole fund returns for the period to 31 March 2011 based on assets used for the purpose of the Triennial valuation as at 31 March 2010, actual fund returns for the period to 28 February 2011 and then market returns (estimated where necessary) for the period to 31 March 2011;
- Details of any new early retirements for the period to 31 March 2011 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report, especially in the context of the roll-forward approach we have taken (as described in the next section). Further, we are not aware of any material changes or events since we received the data.

Employer Membership Statistics

The table below summarises the membership data as at 31 March 2010.

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	24,668	400,417	45
Deferred Pensioners	20,823	19,684	44
Pensioners	14,034	56,886	70

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2011 is estimated to be 7.2%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Council Pension Fund as at 31 March 2011 is as follows:

Employer Asset Share - Bid Value	31 March 2011		31 March 2010	
	£000's	%	£000's	%
Equities	904,882	59%	577,875	41%
Gilts	337,413	22%	0	0%
Other Bonds	0	0%	587,214	42%
Property	107,359	7%	59,400	4%
Cash	92,022	6%	73,643	5%
Target Return Portfolio	92,022	6%	113,734	8%
Total	**1,533,698**	**100%**	**1,411,866**	**100%**

The final asset allocation of the Fund assets as at 31 March 2011 is likely to be different from that shown due to estimation techniques.

Unfunded Benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Pension Fund.

3. Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Employer's liabilities as at 31 March 2011, we have rolled forward the value of the Employer's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2011 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2011 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy series with a 90% multiplier, making allowance for future improvement factors in line with the medium cohort projection with an underpin of 1% p.a.

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)		31 March 2011
Retiring Today		
	Males	19.8
	Females	23.9
Retiring in 20 years		
	Males	21.9
	Females	25.8

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows.

Assumptions as at	31 March 2011		31 March 2010		31 March 2009	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.5%	-	3.9%	-	3.0%	-
CPI increases	2.7%	-0.8%	n/a		n/a	
Salary Increases	4.8%	1.3%	5.4%	1.5%	4.5%	1.5%
Pension Increases	2.7%	-0.8%	3.9%	-	3.0%	-
Discount Rate	5.5%	1.9%	5.5%	1.5%	6.7%	3.6%

These assumptions are set with reference to market conditions at 31 March 2011. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.7%.

Salary increases are then assumed to be 1.3% above RPI in addition to a promotional scale, but we have also assumed that there is a pay freeze until 31 March 2012 for all members earning over £21,000 per annum.

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2011 are set out in Appendix 1. We estimate that the net liability as at 31 March 2011 is a liability of £761,992,000.

In addition, Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures in this report are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Graeme Muir FFA
Partner

Alison Hamilton FFA
Partner

Appendix 1. Balance Sheet Disclosure as at 31 March 2011

Net Pension Asset as at	31 Mar 2011 £000's	31 Mar 2010 £000's	31 Mar 2009 £000's
Present Value of Funded Obligation	2,295,690	2,669,981	1,888,418
Fair Value of Scheme Assets (bid value)	1,533,698	1,411,866	1,015,203
Net Liability	**761,992**	**1,258,115**	**873,215**

*Present Value of Funded Obligation consists of £1,934,043,000 in respect of Vested Obligation and £361,647,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2011

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2011 £000's
Opening Defined Benefit Obligation	**2,669,981**
Service cost	102,265
Interest cost	148,261
Actuarial losses (gains)	(349,514)
Losses (gains) on curtailments	2,302
Liabilities extinguished on settlements	-
Liabilities assumed in a business combination	-
Estimated benefits paid (net of transfers in)	(75,611)
Past service cost	(227,374)
Contributions by Scheme participants	25,380
Unfunded pension payments	-
Closing Defined Benefit Obligation	**2,295,690**

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to 31 March 2011 £000's
Opening fair value of Scheme assets	**1,411,866**
Expected return on Scheme assets	90,780
Actuarial gains (losses)	10,939
Contributions by employer	70,344
Contributions by Scheme participants	25,380
Assets acquired in a business combination	-
Estimated benefits paid (net of transfers in)	(75,611)
Receipt of bulk transfer value	-
Fair value of Scheme assets at end of period	**1,533,698**

Reconciliation of opening & closing surplus	Year to 31 March 2011 £000's
Surplus (Deficit) at beginning of the year	**(1,258,115)**
Current Service Cost	(102,265)
Employer Contributions	70,344
Unfunded pension payments	-
Past Service Costs	227,374
Other Finance Income	(57,481)
Settlements and Curtailments	(2,302)
Actuarial gains (losses)	360,453
Surplus (Deficit) at end of the year	(761,992)

ACCOUNTING PERIOD	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
ACCOUNTING POLICIES	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
ACCRUAL	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
ACTUARIAL GAINS AND LOSSES	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
ACTUARIAL VALUATION	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
AGENCY SERVICES	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
AMORTISATION	Amortisation is the equivalent of depreciation for intangible assets.
ASSET	Something of worth that is measured in monetary terms. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software). See also fixed assets below.
ASSETS HELD FOR SALE	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
BALANCES	The accumulated surplus of income over expenditure.
BUDGET	A statement of the Council's plans expressed in financial terms.
CAPITAL CHARGE	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
CAPITAL EXPENDITURE	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long term value to the Authority (also referred to as capital spending or capital payments).
CAPITAL RECEIPTS	Income from the sale of capital assets (land, buildings, etc.).
CARRYING AMOUNT	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle, less the accumulated depreciation.
COLLECTION FUND	A fund maintained by district, unitary and borough councils for the collection and distribution of council tax receipts. County, district, unitary and parish council precepts are met from these funds. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
COMMUNITY ASSETS	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. Examples are country parks and historic buildings.
COMPONENT ACCOUNTING	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (ie as if each component were a separate asset in its own right) where the useful life is substantially different.
CONSISTENCY	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENCY	A sum of money set aside to meet unforeseen expenditure.
CONTINGENT LIABILITY	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
CORPORATE & DEMOCRATIC CORE	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
COST CENTRE	A specific area of activity where control of certain budgets has been delegated.
COUNCIL TAX	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
CREDITORS	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
CURRENT SERVICE COST	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
CURTAILMENT	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
DEBTORS	Amounts due to the Authority but unpaid by the end of the accounting period.
DEPRECIATION	The measure of the use or consumption of a fixed asset during the accounting period.
DONATED ASSET	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".
EMOLUMENTS	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
ESTIMATION TECHNIQUES	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.

FINANCIAL INSTRUMENT	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
FIXED ASSETS	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
FORMULA SPENDING SHARE (FSS)	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
IAS 19 (formerly FRS 17)	International Accounting Standard (IAS) No 19 is a requirement from the International Accounting Standards Board, requiring disclosure of assets and liabilities relating to the employee pension scheme.
IMPAIRMENT	A reduction in the value of a fixed asset or financial instrument, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
INFRASTRUCTURE ASSETS	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
INVENTORIES	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
INVESTMENT PROPERTY	Investment property is property (land or a buildings) held by the Authority to earn rental income or for capital appreciation or both.
LEASE (FINANCE LEASE)	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
LEASE (OPERATING LEASE)	Any lease which is not a finance lease.
LEASE (EMBEDDED LEASE)	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
LOCAL MANAGEMENT IN SCHOOLS (LMS)	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the County Council.
NATIONAL NON-DOMESTIC RATES	District councils collect this tax locally and pay it to the Government. It is then re-distributed
NON-DISTRIBUTED COSTS (NDC)	Overheads for which no user now benefits, and therefore not apportioned over services.
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
PAST SERVICE COST	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
PRECEPT	A levy requiring the District and Borough Councils to collect income from council taxpayers on behalf of the County Council. Sums collected are held in the Collection Fund (see
PROVISIONS	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
RESERVES	Sums set aside and earmarked to meet the cost of specific future expenditure.
REVENUE EXPENDITURE	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Expenditure of a capital nature, which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream.
RESIDUAL VALUE	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the Council in support of its day to day expenditure and distributed on a formula basis.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SEGMENTAL ANALYSIS	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
SOFT LOAN	A loan with an interest rate below market rates.
SPECIFIC GRANTS	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
SUBSEQUENT EXPENDITURE	Expenditure which is incurred on an asset after it has begun its useful economic life.
SURPLUS ASSETS	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the County Council from outside contractors or other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRADING UNDERTAKING	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSO's) or Direct Labour Organisations (DLO's).
TRUST FUNDS	Funds administered by the Authority for such purposes as prizes, charities and special projects.

The titles listed below are just a few of the wide range of publications that are produced by the County Council. Some are available at public libraries or from directorates directly. More information about the County Council can be found on the website www.dorsetforyou.com or from the Communications Unit - telephone (01305) 224491

Children's Services Directorate
Appeals against Admission Decisions
Boarding Education
Children with Special Education Needs – various documents available
Dorset Student Support Service
Duke of Edinburgh Award Needs – various documents available
Education other than at school
Free School Meals
Information for children, young people and families
Rough Guide (information for young people)
School Maintenance Allowances
Youth and Community Service Directory
Other Sources of Financial Help

Environment Directorate
Dorset Data Book (D7)
Bournemouth, Dorset and Poole Structure Plan (CSP28)
Dorset Minerals and Waste Local Plan (MSP17)
Bournemouth, Dorset and Poole Waste Local Plan First Deposit (WLP1)
Local Transport Plan for Dorset (L2)
Jurassic Coast Official Guide (J1)
A full list of publications and leaflets is available from Business Support Reception - telephone (01305) 224258

Adult & Community Services Directorate
Adult Education Learner Handbook
Adult Education courses
Archives Service: A full list of guides on local history and on facilities available from the County Record Office - telephone (01305) 250550. Many catalogues are now available online at www.a2a.org.uk.
Arts Service: Literature Live bulletin; Visual Arts listing.
Dorset Cultural Strategy 2003-08
Library Service: Performance indicators; Subject index; leaflets about various aspects of the service and other material of local interest.
Emergency Planning Service: Various wide ranging generic and risk-specific emergency management and response documents and plans for dealing with emergencies, including the Dorset Local Resilience Forum Joint Procedures Manual, Animal Disease Response Plan, Coastal Pollution Clearance Plan, in-house business continuity planning advice and business continuity promotion to local businesses. For further information - telephone (01305) 224510.
Trading Standards Service (including animal health) - consumer and business guidance and advice leaflets covering issues such as food labelling, buying a used car, underage sales, and an all embracing Consumer Action Pack. For further information - telephone (01305) 224012 or Consumer Direct 08454 040506.
Registration Service: The Dorset Wedding Guide. For further information - telephone (01305) 225153

Community Care in Dorset
Promise to you
Dorset's Long Term Care Charter
Information for adults with a learning disability
Information for people with mental health problems and their carers
Information for people with a physical disability
Information for older people
Information for people in hospital
Information for carers
A full list of community care factsheets is available from the Adult and Community Services Information Office - telephone (01305) 224320.

Corporate Resources Directorate
Human Resources: Annual Staffing Report

Communications: Your Dorset – delivered to all households across the county. For further information telephone (01305) 224725

Financial Services: Dorset County Council's Annual Budget, Annual Report of the Pension Fund, Council Tax Leaflet, External Funding News

Chief Executive's Office
Compact between DCC and the Voluntary and Community Organisations in Dorset
Funding information and contacts for Voluntary and Community Organisations
Corporate Performance Plan
Council Services - Who's responsible for what?
Dorset Crime & Disorder Reduction Strategy
Help us to learn from you ... (Complaints)
Our Role in Dorset

The Constitution of Dorset County Council
Sets out how the Council operates; how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Access to Information Act 1985
The Public and Press are able to attend all Cabinet and Committee meetings of the County Council and have access to reports and background papers subject to exemptions and confidentiality provisions.

Questions and Comments
Any questions or comments about County Council services, or requests for further information not covered by the publications above, should be directed either to individual departments or to D H Jenkins, Chief Executive, Dorset County Council, County Hall, Colliton Park, Dorchester DT1 1XJ.

Complaints
If you consider you have a complaint against the County Council, even after approaching the service concerned about the matter, please write to the Chief Executive who will investigate the issue.

If you are still unhappy about that decision, you may take the matter to the Local Government Ombudsman at The Oaks, No. 2 Westwood Way, Westwood Business Park, Coventry CV4 8JB. Their web site can be found at www.lgo.org.uk

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Readers wishing to contact either the County Council or one of Dorset's other public bodies should find the following addresses and contact numbers useful.

County Council

Dorset County Council
County Hall
Dorchester DT1 1XJ
Tel: Dorchester 01305 251000
E-mail help@dorsetcc.gov.uk

Unitary Councils

Bournemouth Borough Council
Town Hall, Bourne Avenue
Bournemouth BH2 6DY
Tel: Bournemouth 01202 552066

Poole Borough Council
Municipal Offices, Civic Centre
Poole BH15 2RU
Tel: Poole 01202 633633

District Councils

Christchurch Borough Council
Civic Offices, Bridge Street
Christchurch BH23 1AZ
Tel: Christchurch 01202 486321

District Councils (continued)

East Dorset District Council
Council Offices, Furzehill
Wimborne BH21 4HN
Tel: Wimborne 01202 886201

North Dorset District Council
Nordon, Salisbury Road
Blandford Forum, Dorset DT11 7LL
Tel: Blandford 01258 454111

Purbeck District Council
Westport House
Wareham BH20 4PP
Tel: Wareham 01929 556561

West Dorset District Council
Council Offices
58 / 60 High West Street
Dorchester DT1 1UZ
Tel: Dorchester 01305 251010

Weymouth & Portland Borough Council
PO Box 21, Municipal Offices
North Quay
Weymouth DT4 8TA
Tel: Weymouth 01305 761222

Parish and Town Councils

Dorset Association of Parish and Town Councils
Colliton Annexe
County Hall
Dorchester DT1 IXJ
Tel: Dorchester 01305 260972

Dorset Police Authority

Chief Executive
Force Headquarters
Winfrith
Dorchester DT2 8DZ
Tel: Dorchester 01305 223966

Dorset Fire Authority

Clerk to the Fire Authority
Colliton Park
Dorchester DT1 1XJ
Tel: Dorchester 01305 224195

Dorset Community Action

Dorset Community Action
Community House
The Barracks
Bridport Road
Dorchester DT1 1YG
Tel: Dorchester 01305 250921